Growth of a new world financial centre

By Malcolm Surry

HOW many of you know where to find the third most important financial capital in the world after London and New York?

Forget Frankfurt, pass up Paris, zero marks for Zurich and you would be badly out with Beirut. Try Hong Kong, where Suzy Wong is just as likely to work behind a bank counter as in a bar room.

Hong Kong's emergence as one of the major financial centres has been rapid, but the starting point, and what in money terms provides almost the *raison d'etre* of the place, can be summed up in three words – free foreign exchange.

Hardly a nation on earth can afford to allow its citizens and foreigners the absolute freedom of converting, exporting and importing currency at will. In Hong Kong, the authorities can scarcely afford to do anything else, and the idea of foreign exchange control is an anathema.

At times Hong Kong is almost bursting at the seams with money and most recent figures suggested something like the equivalent of US$14 billion on deposit in the banking system.

The local Chinese, who make up the bulk of the population, manage to combine the strange paradox of being undoubtedly among the steeliest-nerved gamblers anywhere, while at the same time being shrewd and prudent savers.

The Hong Kong and Shanghai Bank alone, the biggest of the local banks, boasts more than 1 million individual savings accounts.

Not all the cash flowing around Hong Kong belongs to local residents. Substantial capital inflows arrive from abroad, not least from thousands of "overseas Chinese" living around the Pacific Basin as well as in North American and Europe.

Normally a good proportion of these funds, known in the vernacular as "hot money", sits on deposit for a while before flowing out again free as a bird to other international havens if interest rates there turn more attractive.

All of this means banks, lots of them, and sophisticated communications which most observers agree give Hong Kong the edge over most Asian neighbours.

Up to the beginning of the 1970s, the established domestic banks had things pretty much to themselves and it is doubtful if overseas money moguls regarded the place as much more than an eccentric, and sometimes downright risky, rickshaw park in the back-garden of China.

The lion's share of the deposit business is still held by the 115 licensed banks, but competition in ancillary services has hotted up apace.

The last few years have seen an invasion of foreign banks and banking consortia.

Just one floor of the 52-storey Connaught Centre, which towers above Hong Kong's financial district, houses Banco Ambrosia Italy, Berliner Handels-und Frankfurt, Credit Commercial De France, Kreditbank Belgium, Nederlandsche Middenstandsbank, Privatbanken Denmark, Korea First Bank (HK), Williams and Glyn's of England and the Industrial Bank of Japan.

On the merchant banking front, Jardine Fleming, N M Rothschild and Sons, Hill Samuel, Hambro, Kleinwort Benson and other famous names from Europe have set up business in Hong Kong to be joined by institutions of equal stature from the United States, Japan and elsewhere.

There are more than 260 registered deposit-taking houses in Hong Kong, ranging from small home-grown finance companies to giant banking consortia whose local capital is backed up by the awesome assets of their overseas parents.

The finance houses all involve themselves in foreign exchange and money market activities, corporate advice, investment management and bullion trading.

For the larger institutions the really big business is in loan syndication.

Lending in Asiadollars which, like their Eurodollar counterparts, simply mean US dollars roaming the globe outside the United States has recently enjoyed a tremendous boom.

Although Singapore is a lively competitor in this sphere, one guesstimate puts Hong Kong's share of the Asiadollar market around US$11 billion.

Hong Kong never nurtured ambitions to become a world financial centre. And there are still those who question the value of such a role, bringing as it does sometimes distorted capital flows and embarrassing pressure on the Hong Kong dollar.

Not much over 10 per cent of the 2 million work force is engaged in finance, insurance, real estate and business services.

But the contribution of the finance sector to "invisible earnings" might be about US$1000 million a year and together with other invisibles like shipping and tourism, historically picked up any temporary shortfall in trade with the rest of the world – although more recently the gap has been harder to fill.

There can be little argument that what really put Hong Kong on the international financial map was the events of 1972/1973 when the local stock market turned in one of the biggest booms in business history – followed almost inevitably by a cataclysmic bust.

Foreign investors, blissfully unaware that such a market even existed, sat up sharply when the volume of trading rocketed to well over US$100 million a day at one point and the Hang Seng Index – local equivalent of the Dow Jones – soared from around 300 to a 1770 in 13 frantic months.

The trauma of the equally spectacular subsequent crash which saw the index dive to 150 amid charges of manipulation and foreigners creaming off the major profits, left an indelible mark.

But the international attention that was created for the most part stayed. The stock market scene has become lively again today and a new boomlet has re-erected the market index to around the 900s.

An accident of history produced not one but four separate stock exchanges with the rival Far East, Kam Ngan and Kowloon stock exchanges breaking away from the old established Hong Kong Stock Exchange in a frantic scramble to play the new money game.

Government - sponsored moves are now well advanced to merge the four exchanges into one unified market.

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents

Inside

Innovators slug it out in court with foreign imitators

by John Draper

CHRISTCHURCH - based C W F Hamilton Ltd, makers of the revolutionary jet boat engine, are suing its American agents for infringing the patent rights.

Since 1977, Jet Craft Inc of Tacoma Washington, have been manufacturing imitations and selling them under the Hamilton name in competition to those made by its Christchurch principal.

Hamilton's appointed Jet Craft as its agents in 1975 to sell a complete range of jet boats from Alaska to California on the west coast.

Sluggish sales through 1978 were explained away as a drop in overall demand for pleasure boats.

It was not until last year when a substantial order on the point of shipment was cancelled that a representative was sent from Christchurch to investigate.

C W F Hamilton Ltd chairman Jon Hamilton said: "It was something of a shock to us to find out our agents were manufacturing jets in competition to us."

The United States is the jet boat makers largest single market, particularly for smaller engines used in pleasure craft, the type now being made in breach of Hamilton's patent rights registered there.

The Hamilton company is suing Jet Craft on three counts:

- For a breach of patent rights;
- For infringement of a trademark;
- And for breach of contract.

There is also a question hanging over a $100,000 advance made to Jet Craft for promotion.

Hamilton is no longer certain that the money was spent on the promotion of its products.

It is also understood that Jet Craft have headhunted a former Hamilton employee to assist with production.

Hamilton's arrangement with the American agent was to supply the engines manufactured in Christchurch for Jet Craft to build into boats.

To enable the work to be done Hamilton's Company supplied extensive technical information. In return it has received little more than customer reaction to the craft's performance.

Hamilton expects to spend at least $100,000 to get its patent rights enforced, an amount other firms with bitter experience say will just be enough to get the case to its first hearing day.

Jon Hamilton said it was not the first time that the firm's patent was understood to have been infringed by American firms.

But Hamilton's had not sued, either because the companies "were not in our category", or because "we did not have the backing to fight it".

A reluctance to take on bigger firms in the past may have encouraged the Washington-based distributor which is not a big company, to risk manufacturing imitation jet boat engines, Jon Hamilton said. "They must have thought we were not going to sue," he said.

As other firms have observed: "In the United States, with their high legal costs, your patent is only as strong as your backbone."

Another agent has been appointed to sell Hamilton's jet range of jet engines in the market the firm still believes has the greatest growth potential, though the disruption has been "a serious Blow".

But until the court orders otherwise, Hamiltons will be competing against its former agents, who have changed their name to Turbo Drive.

It is understood Hamiltons' action is not the first against the firm for breach of patent and trade name rights.

American courts rarely grant injunctions in such actions for more than 11 days, and should the applicant lose the main action, substantial damages can be incurred.

Palmerston North-based Delta Plastics is also engaged in a legal suit to enforce their patent rights in the United States.

Delta make a two-piece plastic animal ear tag, which the firm claims is simpler, more humane and more endurable than other tags.

According to Delta's sales director, Malcolm Cameron, the tag is a world beater.

"We have been exporting to the United States for the last seven years" he said. "And we are hurting the United States producers. We have proved we have a better product.

Cameron said American patent law was fairly clear. But its interpretation varied widely on the nine court circuits, with some judges rigidly enforcing the rights and others favouring the patent imitators.

Delta's action is against the subsidiary of a Texas-based multinational oil company and expects to come to court in that state within the next six to eight months

Already Delta has had to fight similar actions in West Germany, which it won't and in France where "we buried them in marketing", because Delta's patent rights were not so strong.

Another New Zealand firm fighting a running battle against imitators world-wide is Auckland-based Tullen Industries Ltd

Managing Director John Hough said the company has already spent more than $250,000 fighting legal battle to protects its rights to its miracle snips.

"It's a continual process," he said.

Tullen's action was successful in the Hong Kong courts and the threat of legal action has deterred possible breaches in Britain.

Action has been considered in West Germany, where the courts demanded a $40,000 bond before a case commenced, and was pending in the United States where everyone had to pay their own expenses without the benefit of a court order for costs against the loser.

And because some infringements are not readily apparent – some imitators were not using steel hardened blade – and were therefore not in breach – Tullen's have now decided on a policy of very different design

"We are trying to make our products look different and we are continually changing and innovating," Hough said

Stevens-Bremner may shift base

STEVENS-Bremner appears to be pulling out of Auckland. Its brand new office, warehouse and showroom at the corner of Khyber Pass and Mountain Roads Auckland is looking for a new tenant.

The building was built last year by Chase Holdings Ltd and sold with a sitting tenant to Mutual Funds Ltd.

Stevens-Bremner had a 15-year lease. They moved in about September 1979.

Stevens-Bremner have the right to reassign the lease. Collier-Fletcher, real estate agents are looking for new tenants for the 2050 square metre building.

There are two options on rental:

- The new tenant pays rent of $83,670 a year and buys the partitions for $130,000;
- The new tenant pays $105,763 rent and rents the building and the partitions.

The building has three floors. Groundfloor is showroom, the first floor warehouse and the top floor prestige offices.

The building is new, prestige real estate, yet Stevens-Bremner moved in in September only to move out now. It is understood that Stevens-Bremner will close down Auckland operations and shift to Foxton.

Gambling on the future of Twizel

by John Draper

SOUTH Island tourist operators want to take a gamble on the future of Twizel.

When the Ministry of Works move out in four or five years the Canterbury-Westland branch of the National Travel Association is proposing that the tourist industry moves in to create a Las Vegas in the semi-arid MacKenzie Basin.

The concept is the brainchild of Ted Beckett, Public Affairs manager, of the Mount Cook Group. He claims the company is not involved at this stage.

Beckett wants the Government to establish a Commission to licence hotels, and motels in the Twizel area and control the gambling facilities they can offer.

Beckett's submission, put to the National Travel Association's conference in Rotorua last weekend, is to take advantage of Twizel's isolation, separating organised gambling from existing city centres to overcome entrenched opposition.

Twizel's good road and air links (enter Mount Cook?) and mountain scenery have all the ingredients for a kiwi Vegas.

Maori bill scrapped

THE Maori Affairs Bill, after simmering in Parliament for two years, was abandoned in the light of recent recommendations of the Royal Commission of Inquiry into the Maori land courts. A new bill is to be introduced.

THE North Island main trunk line is to go electric at a cost of over $100 million. The idea was first considered more than 25 years ago.

BOEING has won a $41.2 million contract for the modernisation of the Air Force's Lockheed Orion long-range maritime patrol aircraft.

ONLY 456 votes of the 2885 special votes cast in the Northern Maori by-election were allowed. Justice Minister Jim McLay will send a letter to the rejected voters explaining why their votes did not count.

TRANSPORT Minister Colin McLachlan said the Railways "only" lost $90 million, not the $120 million the Auditor-General reported.

THE Opposition called on Lands Minister Venn Young to resign after alleging that the Minister helped get Agriculture Minister Duncan MacIntyre's daughter a farming loan. The loan had earlier been rejected by the Marginal Lands Board. A Government appointee on the board resigned as a result of the Minister's decision.

SHOP assistants will vote at stopwork meetings next month to decide on strike action as a protest against the Government decision to allow Saturday shopping.

AIR NEW ZEALAND's concern over rumours that it is unnecessarily imposing high fares on domestic routes to keep international fares down has prompted it to hire a private accounting firm to prove it is not "cheating" domestic passengers.

SUGAR prices jumped again, by 17 per cent, the second rise in three months.

A DRUGS Advisory Committee chaired by Horowhenua MP Geoff Thompson was formed by the Government.

AUCKLAND businessman Ivor Mosley lost a $600,000 lawsuit against supermarket owner Albert Gubay and two companies. In a majority verdict the High Court found that the commission agreement allegedly made by the two parties was not genuine.

THREE Labour MPs will lay a formal complaint against irregularities in vote counting at the Onehunga by-election.

ABOUT 1000 carcases of game worth $300,000 which had been in cold storage from three to five years, were thrown away by Dunedin-based Consolidated Traders because the meat did not come up to the new game-meat standards set by the Agriculture Ministry.

LABOUR's Deputy leader David Lange swept past Bill Rowling, as favourite for Labour Prime Minister in the latest *Auckland Star*-Heylen Poll. Prime Minister Rob Muldoon was way ahead – the choice of 32.2 per cent.

SANJAY Gandhi, the son of Indian Prime Minister Indira Gandhi was killed in a light aircraft crash.

RUSSIA announced it was pulling 10,000 troops out of Afghanistan.

THE Japanese Liberal Democratic Party was re-elected with an increased majority.

FOREIGN Affairs Minister Brian Talboys left for talks with the Ministers of the five-member ASEAN.

COAL and nuclear power are the energy sources of the future – leaders of the world top seven Western nations.

The business week

Allflex Holdings Ltd appointed W C. McPhail as the managing Director of **Delta Plastics.**

Ceramco Ltd reported an audited tax-paid profit of $5,548,853 for the year to March 31 ($4,228,851 last year). A final ordinary dividend of 11c is payable on August 21.

Collingwood Holdings Ltd reported an audited tax-paid profit of $177,152 for the year to March 31 ($109,518 last year). A final ordinary dividend of 5 per cent is payable on August 13.

Colyer Watson Holdings Ltd reported an unaudited tax-paid profit of $33,921,000 for the six months to March 31 ($31,250,000 same period last year).

John Edmonds Holdings Ltd reported a tax-paid profit of $1,042,000 for the year to March 31 ($950,000). A final dividend of 9 per cent is payable.

T J Edmonds Ltd reported an unaudited tax-paid profit of $926,698 for the year to March 31 ($877,005 last year). A final dividend of 11 per cent is payable.

Firestone NZ Ltd appointed Raymond Deal as managing director.

Fountain Corporation Ltd reported an audited tax-paid profit of $325,965 for the year to March 31. A final dividend of 8c is payable.

Henry Jones (IXL) Ltd will merge with **Barrett Burston (Australia) Ltd.**

Lion Breweries Ltd reported an unaudited tax-paid profit of $15,095,000 for the year to March 31 ($12,496,000 last year). A final dividend of 13 per cent is payable.

D McL Wallace Ltd reported an unaudited tax-paid profit of $704,939 for the year to April 30 ($593,013 last year). A final dividend of 3.25c is payable on September 5.

Marac Holdings Ltd will open a merchant bank in Singapore which will become its third overseas subsidiary. It will cover ASEAN and the Gulf States.

Neil Holdings Ltd appointed G S R MacDonald to the board.

Tasman Mutual Life Assurance Company Ltd was barred from trading for nine months after the company failed to make deposits worth $500,000 in approved securities with the Public Trustee.

The week ahead

MONDAY: Commerce Commission hearing on motor vehicles.

Association of Training and Development meeting with a talk by George Rabey: "Problems of a training officer in search of an identity".

Deanes Industries annual general meeting in Christchurch.

TUESDAY: Lands and Agriculture select committee hearing on Veteran Services.

Select committee hearing on Public Expenditure Amendment Bill.

Select Committee hearing on Statutes Revision.

WEDNESDAY: Select committee on Labour and Education.

Hearing on Education Amendment Bill.

THURSDAY: The Governments Budget will be delivered.

A talk entitled "Management in Action" by Marshall Hyland at 5pm, Hotel St George, Wellington.

Deerstalkers conference in Gisborne.

FRIDAY: Consultant Engineers conference in Rotorua.

Exchange rates

As at June 26 1980. $1NZ is worth:

Australia	.8523
Britain	.4201
Canada	1.1314
Fiji	.7876
Japan	212.68
West Germany	1.7256
United States	.9807
Austria	12.26
Belgium	27.60
China	1.4232
Denmark	5.3508
France	4.0063
Greece	42.12
Hong Kong	4.8694
India	7.6382
Italy	818.78
Malaysia	2.0898
Netherlands	1.8902
New Caledonia and Tahiti	72.76
Norway	4.7400
Pakistan	9.5873
Papua-New Guinea	on appl.
Portugal	47.82
Singapore	2.0681
South Africa	.7524

No time for discussion

PRIME Minister Rob Muldoon's announcement that the Budget would be presented this week allowed the press one week to analyse the economic trends.

There is one chance a year to see what the Government's intentions are for the economy written down in black and white – Budget night.

The Budget provides a benchmark for comparing the Government's actions against what it says it intends to accomplish. And if there is a change in policy, the Government can be called upon to explain itself.

The public does not seem to realise that it can be hurt or benefited to a much larger extent by the direction of fiscal and monetary policy implied by the Budget.

And they will never understand the relationships as long as the Prime Minister makes it impossible for a solid, informed discussion to take place on Budget night. – Economics Correspondent.

Glass monopoly's prices pain greenhouse makers

by Warren Berryman

NEW Zealand Window Glass Ltd, the foreign-owned import-licence-protected monopoly based in Whangarei, has increased its glass prices by up to 23.6 per cent.

The company has increased prices by up to 40 per cent since January, and nearly 150 per cent since February 1976.

It now costs nearly three times as much to buy a window pane in New Zealand as in Australia.

Most of New Zealand Window Glass's product line – ordinary housing window glass and horticultural glass for hothouses – enjoys a monopoly position in this market because of import-licence restrictions barring competing imports.

In thicker grades of glass, the company competes against imports of high-quality float glass.

Where New Zealand Window Glass has a monopoly it has raised prices by 23.6 per cent. Where it competes with imported float glass, prices increased were held to 2.9 per cent.

The latest price increase was approved by the Trade and Industry Department in spite of strong protests from the Glass Association and glasshouse manufacturers.

The price increase will add about $40 to the cost of glazing the average home and $23 to the cost of a 6 × 8 ft glasshouse.

New Zealand Window Glass is owned 50/50 by Australian Consolidated Industries and Pilkington Brothers (NZ) Ltd. Pilkingtons are the kingpins in the international glass cartel.

Before imposing the latest price increase, New Zealand Window Glass advised customers: "Since the last price increase in January 1980, oil has risen 32 per cent, imported raw materials by 22 per cent and rail freight by 36.125 per cent. These increases have been absorbed by New Zealand Window Glass in recent months. However, we regret that we have no option but to pass on a part of the extra costs.

"The price rise has, of course, been approved by the Department of Trade and Industry. The department, in fact, approved an overall increase of 23.47 per cent during the first week of June. This percentage increase has not, however, been applied across the full range of sizes and substances. The new prices will come into effect for all glass dispatched on or after June 30, 1980."

Glass price increases have far outstripped the rate of inflation.

The rising costs claimed in New Zealand Window Glass's letter to customers did not show up in the company's last annual report, for the March 1979 year.

The report showed that the $1,935,000 capital company made a gross profit of $952,019 and a net profit after tax of $634,715. The total net profit was paid out to the foreign-owned shareholders as dividends.

The same shareholders form Pilkington-ACI in Australia, which dominates that country's glass market.

ACI-Pilkington charges Australian consumers between one-half and one-third the price for glass that their New Zealand company charges here.

Pilkingtons developed the float glass method in the late 1950s wherein a faultless sheet of glass is floated on a bed of molten tin. This process took seven years and $7 million to develop. It requires large economies of scale to make it pay.

New Zealand Window Glass produces lower-quality sheet glass by drawing glass up from a tank.

Overseas, particularly in the United States, sheet glass manufacturers compete on price with float glass manufacturers in the thinner grades of glass up to 6 mm.

But New Zealand Window Glass's prices for sheet glass are approaching those of top-quality float glass.

New Zealand Window Glass price increases for sheet glass are now making imported float glass an attractive alternative, particular in the thicker grades above 3 mm.

New Zealand Window Glass increased its prices for 2 mm thick glass by 23.6 per cent, 3 mm by 23.5 per cent and 6 mm by only 2.9 per cent.

Had New Zealand Window Glass increased its prices for the thicker grades of glass by the same 23.6 per cent as it put on the thinner grades, it is likely that glass merchants would have imported top-quality float glass rather than buy from the local company.

Imported float glass carries a 10 per cent duty. "Wipe this duty", said glass dealer, "and float glass of the best possible quality would be cheaper than the local sheet glass.

"From the consumer's point of view it would be better to run a bulldozer through New Zealand Glass's works" he said.

Glass-house manufacturers are angry about the price hikes.

Auckland-based Edenlite Garden Products general manager Tim Johnstone said his company had just spent several thousand dollars designing a new aluminium extrusion to save $4 in the cost of a glasshouse. With one fell blow the glass price increased added $23 to the cost of that glasshouse.

Edenlite exports about a quarter of its $1 million a year production

The aluminium glasshouses are exported without the glass.

It costs Edenlite $121 to glaze a glasshouse here, against $53 in Australia, Johnston said. The 3 mm horticultural glass from New Zealand Window Glass costs him $6.56 a square metre. In Australia it is $A2.61.

Johnston said he needed a strong domestic market as a springboard for his exporting effort. But the glass price increases nobbled his sales pitch about the economies of growing vegetables year round in the backyard.

Edenlite's competitor in the glasshouse market, Bill Christies, of Dunedin, said he was looking at alternatives to glass following the price increase.

"If we want to stay in business we will have to look to alternatives such as polycarbonate or fibreglass," Christie said.

Edenlite's 6 x 8 ft glasshouse retails for $535.

"We might have to put this price up to $590," Johnston said.

NBR telephoned Window Glass's marketing manager Anthony Peacock – author of the letter to customers – asking him for further clarification of the prices.

"It is a company policy, that no-one can comment but the company chairman, Lyn Papps," Peacock said.

We tried to get Papps, but he just happened to be in a board meeting at Odlins, one of the biggest glass distributors. It is understood some board members were highly critical of the price rise.

Comment

Editorial

LANDS Minister Venn Young has certainly invited a heap of criticism in recent weeks. First he was under fire for allowing the sale of a Coromandel Peninsula farm to a Saudi prince in a $1 million deal. That was a sellout to foreigners, the Opposition cried.

He has now brought the administration of his portfolio much closer to home by interceding in a Marginal Lands Board decision on behalf of personal friends, (the daughter and son-in-law of a Cabinet colleague). His resignation is being demanded.

Young vigorously denies he has acted improperly in intervening on behalf of Jim and Audrey Fitzgerald, who sought finance from the Marginal Lands Board to develop their 2300-acre property near Makara, west of Wellington. He says he can see no reason why a personal friendship should disqualify him from taking their case for review to the board.

Under Section Eight of the Marginal Lands Act, board members "shall not take part in the discussion of any application before the board or committee or be present at any meeting of the board or committee at which any application is under deliberation or discussion if he has directly or indirectly, by himself or has any percuniary or personal interest." Thus the Minister should have done no more than present the Fitzgerald's case. He went further and personally endorsed their claims. He said "he was confident that the applicants have the ability to successfully farm their property, given the opportunity".

Young maintains that "personal interest" basically means "pecuniary" or "financial" interest. And knowledge of people is not personal interest, he argues in what ought to be a losing battle with semantics. The highly regarded constitutional authority S A de Smith has written that close personal friendship — on principle — "should be regarded as a disqualification, provided that it gives rise to a real likelihood of bias."

The Lands and Survey Department's last report to Parliament notes that the demand for assistance from the board from people unable to obtain finance from other sources shows no sign of diminishing, and with increasing costs associated with farming and farm development, "it will become even more difficult to meet this adequate and realistic recognition of the board's financial needs."

In the year to March 31 1979, the board loaned $4.5 million. That year, 213 applications were received. Eighty-three were declined. But until now, the board's decision-making procedures have been kept under wraps and the criteria by which the public may judge the merits of the Fitzgerald application against others is sadly lacking. But generally, it is known that loans for development are taken on their merits, with particular account of the applicant's expertise and farm managerial ability and the suitability of the property.

The Fitzgerald application initially was rejected because Jim Fitzgerald had been a property development consultant for about five years and had not been actively working the land for the required 12 months. A review was considered at a meeting on January 29. A copy of the minutes says that Young advised he had received representations from Fitzgerald on the decision to decline his loan application for $106,000 for refinance and development. He agreed it was "a very unusual case." And he ventured his opinion that "the personal qualities of both Mr and Mrs Fitzgerald were quite high."

His letter to the board acknowledges that they are personal friends. In this letter, Young accepts that the Fitzgeralds' farming ability has not been "adequately tested". But he points out both come from farming backgrounds and are pursuing lifelong ambitions to acquire their own farm.

The Minister concedes that for five years Fitzgerald has been self-employed as a property development consultant, and acknowledges that again, "this does not provide the necessary farming experience to qualify him for a loan from the board," but it provided "valuable managerial experience which must be recognised as an important asset when entering any business".

Young's argument is that the applicants will not be able to prove their ability without access to finance for purchasing stock. That, of course, could apply to a number of people who aspire to become farmers and should have interesting implications for future board policy.

After Young had sought the review, a committee was appointed to look at the property. On March 4 the board required further information. At its April meeting, the board received the final report of the subcommittee and upheld its earlier decision not to grant the loan. There is no evidence that Young has intervened further, but rather that a change of mind ultimately resulted from additional information furnished by the Fitzgeralds being considered.

But that doesn't alter the questionable way in which the Minister earlier made known his views. And it would have been more prudent for Fitzgerald to have requested a review of the decision through the deputy chairman rather than put a personal friend in an invidious position.

Young said it was not the first time he had taken a case for review. He had done it occasionally for constituents and others. The circumstances of those reviews remain a bemusing secret. The Fitzgerald affair, similarly, would not have been put under the public spotlight if it had not been for the resignation of National Party member Roly White and his making known the reasons for his actions. Thus the public is bound to wonder about all the other decisions of this and other boards which dole out public money. Young did not help the cause of enlightenment when he refused a *New Zealand Herald* request for the release of the minutes of the various meetings on the grounds they involved "personal matters" and would set an "unhealthy precedent".

The public is obliged to the Director-General of Lands and Survey, N S Coad, for the outline of the sequence of events which was disclosed and an indication of the reasons for the various decisions.

A board which ladles out public funds is susceptible to currying favour, and the Marginal Lands Board appeal system clearly would be better structured to avoid the involvement of a Cabinet Minister who must always be conscious of the political cost of a decision. Even better, of course, such problems would be most effectively avoided by upholding the free-enterprise spirit which is being shown by more-market advocates on the Government's back benches. If that thinking was taken to its logical conclusion, and the state kept out of the business arena, there would be no board and no politically embarrassing resignations by highly principled board appointees.

Bob Edlin

Without word of a lie

You can't lick PO enterprise

STATE enterprises lacking in initiative and profit-optimising knowhow? Baloney. Just ask the Post Office.

Our good friends at the Tourist Hotel Corpoation have certainly been left with a sneaking regard for Post Office financial flair. They were the recipients the other day of an envelope which contained a variety of communications from the PO — telexes, and so on. It was delivered by a Post Office staffer who required 32c payment because it had no stamp.

So the Post Office saved 32c in stamps when it despatched the envelope and raked in 32s from the recipient at the other end.

The reason for Rob's intransigence

OUR beloved PM has been copping some parochial flak from Wellington leaders anxious to see their airport extended.

And in the midst of some furious lobbying, we hear, he was told Mayor Michael Fowler wanted a meeting with him over what seems to be a Government decision not to extend the airport.

What did he want another meeting for? Rob asked. To change your mind, he was told.

No need, Rob is said to have rejoined — "I'm happy with the mind I've got."

Sir Angus and devotion to duty

FORMER Detective Inspector Bruce Hutton was awarded a certificate of merit, the highest internal police award for "devotion to duty over many years and particularly for diligence and zeal shown during the Crewe murder inquiry" in June 1973.

"His meticulous care in preparing the file for prosecution, and the outstanding assistance he gave the Crown prosecutor during the trials, combined to bring a successful conclusion to an extremely difficult and arduous inquiry and was in accord with the highest traditions of the New Zealand police", said Commissioner Sir Angus Sharp.

Mr Justice Taylor, chairman of the Royal Commission into the trials and convictions of Arthur Allan Thomas for the double murder in 1970, expressed concern at the police investigation.

He had expected, he said, that the officers engaged on the murder inquiry would be reliable men, but since the police evidence had begun there had been a constant thrust to create the opposite impression.

Questioning Detective Sergeant Murray [illegible] fries, Mr Justice Taylor asked: "Why is [illegible] testimony of the police being broken down [illegible] it concern you that the work you put into [illegible] investigation is being made to look slovenly [illegible] incompotent".

Of course, the Royal Commission [illegible] have a long way to go yet — but we do trust that [illegible] Angus drops in to testify.

Brockie's view

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Comment

Less expensive routes to energy self-sufficiency

by Sir Jack Harris

A great deal of publicity has been given to the development of the Maui gas resource, which will involve the investment of vast sums of money. Estimates for the total investment have varied between $3 billion and $6 billion.

It is alleged that this development would make us 75 per cent independent of imported oil, as well as providing us with substantial quantities of methanol for export, thus overcoming our balance of payment problems.

This policy provides convenient propaganda for our politicians, who can present an appearance of doing something which will justify their vast overseas borrowing, and present the country with an attractive plan for a prosperous future.

It must, of course, be admitted that in view of the vast sums of money already invested in Maui, a plan has to be prepared for its use, but it is the pace of the development which is in question.

A decision has already been reached on who develops these resources, although much doubt has been cast on the wisdom of the choice, which was made when one realises that the money could have been found without the investment of public money in a risk-taking operation.

What has occurred in Britain following the development of North Sea oil should be an abject lesson to New Zealand of the dangers, which are bound to arise, from diverting too much of a country's resources to the energy industry.

Every time the price of oil increases, the £ Sterling firms in relation to the American dollar and other currencies.

As a result of this, British industry has become increasingly unable to compete on foreign markets, the textile industry has largely disappeared, this was followed by shipbuilding, the steel industry is in frightful difficulties, and so is British Leyland, ancillary industries are also affected to an undisclosed extent.

As a result of this, there are 1.8 million unemplayed, estimated to rise to over 2 million by the end of the year.

The cost of maintaining these unemployed at a living standard which will discourage them from becoming red hot revolutionaries, is approximately 6 billion sterling — approximately the total of earnings of overseas exchange by the oil companies.

It seems only too likely that, in time, apart from the civil service and the service industries, the majority of the population previously engaged in industry will be out of work.

One of the causes of this development is lack of capital for modernising plant which is part of the reason why British productivity is low as compared with other developed countries.

To turn back to New Zealand's problems. The available capital resources are limited, as we have no long history of accumulated wealth.

While the Government has pointed out that Maui developments will provide emplovement, this will only take place during construction of the various plants, and it seems likely that a number of technicians will have to be brought into the country thus diminishing the jobs available to New Zealanders. The same applies to such energy hungry developments as the Comalco power hungry aluminium smelter near Invercargill which will require the erection of further expensive hydro dams. The price at which power will be sold to Comalco has not been revealed

All indications are that our finite energy resources will only increase in value by being kept in the ground, and I would suggest a gradual development over 50 years. Projects such as the development of LPG gas and the piping of natural gas to such areas as Onehunga, are comparatively inexpensive and directly reduce the local demand for petroleum products.

The further development of the oil refinery at Whangarei will also dramatically reduce our oil bill, and one can well wonder why it was not commenced ten years ago

The exploitation of our local resources provides employment and can be carried out at a comparatively modest cost and provide an alternative source of energy.

Government has a duty to see that employment is available for the majority, but not all of our able-bodied adult population.

It is certainly preferable to have people employed in a not particularly competitive industry than to have them demoralised by idleness, and dependent for their living on State handouts.

There has been a substantial move away from this concept and just recently the textile and garment industries have been exposed to world-wide competition for many of their products without even adequate tariff protection. These industries date back to the earliest days of New Zealand and provide employment for many.

Inflation creates problems for every firm but the largest groups which can attract additional investment by shareholders, but without this injection of new capital, it is almost impossible to earn sufficient profits to pay for the cost of the replacement of stock and the purchase of new plant.

High interest rates make borrowing for development purposes increasingly less attractive.

One can well envisage a day when the very substantial industrial development, which has taken place in New Zealand behind protective barriers, has largely disappeared due to overseas competition for our small market.

We would be back to our farming industry, progressively less competitive due to a firming dollar and the sale of methanol overseas for our survival

Before further commitments are made to develop our energy resources at vast costs, we should at least complete the projects for which firm commitments have already been made and investigate whether there are other less expensive methods of becoming less dependent on the Arabs.

Sir Jack Harris BT recently retired as chairman of the Bing Harris group.

Events will overtake the best laid plans unless executed rapidly

by Erich Geiringer

THE main burden of my transport fuel analysis is that our best laid plans will be overtaken by events unless executed at maximum speed; that the Government seems unaware of the grace economic and social consequences of its go-slow-and-sell-New Zealand policy; and that CNG, whilst not perfect, is get the only remaining means of achieving *rapidly* a degree of self-sufficiency to avoid the worst of these consequences.

Although my analysis was published only a few weeks ago, already some of my predictions have come true, especially those relating to further increases in oil prices and to steps by oil producers to reduce production to prevent any levelling out of prices.

Energy Minister Bill Birch, though lavish in his praise of CNG ("CNG is the most certain and economic alternative fuel for those vehicles close to the gas pipe lines" *NBR*, June 23) seems yet mysteriously determined to sabotage its rapid adoption. In five years time he plans to put 33 per cent of petrol cars on synthetic petrol but in these same five years only 10 per cent on CNG, that "most certain and economic alternative fuel".

Why is the North Island still not fully reticulated? Why is there a disincentive tax on conversion kits? Why are private motorists given no incentives to convert? Why are there no duty or tax rebates on new dual-fuel cars? Why is the Government unwilling to engage financially in the rapid setting up of sufficient public distribution points without which private motorists cannot be expected to convert to CNG?

To do these things, Birch says, would be "socialism". For the Government to provide or subsidise, at least at its inception, a vitally important public service is socialism, he says.

School, police, hospitals, army, sheep retention, roads, Petrocorp drillings, abortion supervisory committees, railways, prisons, subsidies for pink Batts, are all socialism. Apparently he could appropriate half a billion for a new power station and still remain in good standing with the Phoenix Foundation but let him spend $40 million on 500 compressors and straightaway he is in line for the order of Lenin.

I think in talking about socialism the Minister is once more venturing into an area which his mind cannot encompass.

The pitiful target of 150,000 conversions by 1985 was adopted by Birch one year ago as the result of calculations whose most important ingredient must have been the price of oil and the rate at which it was expected to rise.

At that time Saudi light stood at $18 a barrel and Birch advisers thought that by 1985 the price would be $28.

In defending this target, Birch says that it could be reviewed "in light of changing circumstance". He has not apparently noticed that circumstances have already changed. With Saudi now at $28, 1985 is already upon us and *in September when it goes up to $30 a barrel it will be 1988 on Birch's timetable — surely high time to review the targets of 1979.*

Even at present prices any car with an annual mileage of 5000 which does 30 mpg will recoup conversion costs in less than two years, not counting the effect of rising oil prices or the considerable savings on oil maintenance and replacement. By 1981 (AD not BC) CNG will be a good invesment for any vehicle that does 3000 miles a year and has three years life left in it — that is the vast majority of North Island cars.

The time for a drastic upgrading of the conversion target is now, but this cannot be done unless a few hundred points of distribution are established without delay.

It may be that Birch disagrees with these calculations. In that case let him present his own; but he must not expect us to swallow that a target which was formulated when oil cost $18 and was thought to rise by $2 a year is still appropriate when oil is $28 going on $30 and seen to be rising by $10 a year.

Another shamateur of CNG is Barry Brill. Says he (May 12 1980 AD at Claridges): "It stands to reason that CNG will show good results because it is a use of the gas as a direct premium fuel. *We are finding it worthwhile* to convert to methanol, losing 40 per cent in the process, and converting further to petrol losing even more of the energy component of the gas — obviously then the direct use of CNG gives a very economic fuel".

What I would like to know is who would find it worthwhile to throw away half of a valuable energy resource to end up with a costly product which with proper planning should not be needed at all in 1985?

Mobil certainly, but who else would wish to hand a natural resource to foreign interests who throw half of it away and sell the rest back to the original owners at twice the price? Why reserve 16 per cent of Maui to synthetic petrol and only 4 per cent to CNG? Are we holding back on CNG in order not to spoil the Mobil market?

In the same speech Brill tells us that the 4 per cent of Maui allocated to CNG can give a $1,237 million saving over a 30-year period. He does not tell us that rapid conversion of half the petrol fleet to CNG with a corresponding increase in allocation would give us a saving of $9000 million over the same period. (Both calculations are based on 1980 prices. With rising prices the Brill scheme would probably save $2000 million while rapid conversion would save $18,000 million(!))

Birch points out that private interests will bear half the cost of our oil drillings — that is, he falls for the oldest trick in the cookbook. If the hole is dry all the private cost is written off against tax, thus doubling the public cost and leaving the oil companies free to go on fishing for undiluted profits from someone else's energy resource should they strike it lucky.

He should try and offer these firms an honest fee for their drilling job and see where it gets him. Every time I think of Barry and Bill trying to get the better of Bunker Nelson and Herbert Hunt I am irresistibly reminded of Snugglepot and Cuddlepie and the Banksia men.

The wasteful and slow mobilisation of our gas resource is complemented by an insane rush to give away our electricity at below cost price to energy-intensive enterprises. I may be obtuse, but it looks to me that the Government is determined *rapidly* tear down the electricity wall of our energy shelter while *slowly* and clumsily building up the transport fuel wall. This will leave use, by 1985, in one hell of a draught.

I offer four to one that if the smelters go through we will be burning gas to make electricity before the decade is out.

Let me finish with something that happened a long long time ago. Once upon a time in the town of A in the suburb of E there sprang up a clinic that churned out abortions every day of the week and the wise men on the hill decided to put a stop to it. But how? Wall said this and Gill said that and McMullin said another thing. Then up rose Bill Birch with a plan and a solution to put an end to this abomination. Barry Brill was also there to say hear hear and the Birch Bill became law. Sure, it lost us $2 million a year on the Trans-Tasman Termination Trek and 100,000s of dollars on committees and consultants but why count the cost? It did put an end to that clininc in A in the suburb of E churning out abortions every day of the week — didn't it?

Dr Geiringer is author of NBR's recent critique of the Government's liquid fuels' policy.

Letters

Why support status quo?

BARNEY Sundstrum writes in support of the *status quo* in his article on the meat industry delicensing issue, in your issues of June 2. I would like to strongly disagree with his statements and show why delicensing is necessary.

In 1974 the cost of killing and processing a 14kg lamb was \$1.80. In 1979 this cost had risen to \$5.35. This is a compound average increase of 24.4 per cent per year.

The increase in market return over the same period was only 16.5 per cent per year. At this rate it can be calculated that by the year 2005 the killing and processing charges would take up the entire sales value of the lamb.

The March 1980 figures are better because the EEC food price increases had pushed up lamb prices.

Killing and processing charges were up by 18.5 per cent to \$6.34 per 14kg lamb. The market price rose by 27 per cent. The return to the farmer was an extra \$1.20, which is approximately 8 per cent more than he received in 1979. As farm costs had increased by 23 per cent over the same period the farmer sustained a loss of 15 per cent in real terms.

Agriculture could provide the means of reducing this country's deficit but only if the farmer gets a fair price for his product. The only way to increase the farmers profit is to increase efficiency in all areas, not cost compensate by more subsidies.

Mr Sundstrum argues that more freezing works being built would provide a surplus of killing space and that this would increase costs. This statement has been proved wrong. In the beef-processing area, where there was a surplus of killing space, competition has created lower killing charges.

For example: In AFF Co it costs farmers \$91.22 to kill and process a beef cow, which is 64 per cent more than at Pacific Freezing in Hawkes Bay where the cost is \$55.40. The Whakatu Works of Hawkes Bay Farmers and the Tomoana Works of W R Fletcher charge \$61 for a comparable beast. The reduction in the beef herd and the resulting extra killing space (by accident rather than design) has led to pressure on the freezing industry to shape up or ship out.

If it is possible for Pacific to kill beef for \$55.40 a head it should be possible for others to do the same. There were 442,000 cows killed in this country last year, a saving of \$30 per head would have amounted to \$13.2 million countrywide. \$13.2 million which could have been invested in extra production.

Mr Sundstrum states that 50 per cent of costs in freezing works are fixed or semi fixed, and that the only way to improve profits is to extend the season. This is a *status quo* mentality which I cannot accept as an acceptable business attitude. The reasons why the meat industry has not changed their methods to reduce cost increases are, I believe, because of:

(1) The inability of management and labour to agree on improved methods without a buying off of the innovation in extra costs. There are many agreements which reduce management's opportunity to reduce costs — such as manning scale quotas, anti shift work attitudes. New hygiene regulations have compounded this situation.

(2) In normal seasons most works know that the stock will eventually arrive on their doorstep because loyal farmers will stick to their old buyer knowing that when the going gets tough he will give them space. This is changing and the pressure of competition has led to efficient operations being able to get a larger and larger share of the kill of beef and sheep.

The differentials of \$0.98 per sheep and \$30 for beef in Hawke's Bay are the result of competition and efficiency in spite of transport costs. The cost reduction in these works is due to two factors: lower manning scales and therefore higher daily throughput per man.

Companies assure me that it is not necessarily the length of the season that determines profit. The real profit is made by the ability to gear up to provide a high throughput at the peak. If a company can achieve a 15 per cent better throughput per chain, with the same fixed costs, for the three month peak than other works, they can sustain a shorter season and reduce their fixed costs.

Forcing farmers to supply stock all year round will only transfer the cost to the farmer in extra feed requirement.

Farming systems are changing to lengthen the killing season but there can always be a crisis due to drought or disaster.

Opponents of delicensing suggest that because the meat industry is a service industry it should remain expensive and in some cases stultified. The inevitable result will be: more subsidies to farmers, higher taxes and in the end an uneconomic industry.

All must accept change — the farmer, the meat processor and the government. Quite clearly central planning and direction has had its day.

Meat companies, within the constraint of fair trading and merger or monopoly legislation, should look forward to the opportunity to make their own economic and marketing decisions. Delicensing will provide this opportunity.

John Falloon
MP for Pahiatua

Consulting Progress

I WISH Rae Mazengarb had checked her facts before telling your readers that I "had failed to make further contact with members (of the Progress group of road carriers) or their lawyer" (*NBR* June 16).

I have in fact been in touch twice since our meeting with their lawyer, Bruce Grierson, indicating that I proposed to consider their points very carefully, and to discuss them with my Ministerial colleagues.

That is being done and I trust Progress, who have made use at their own timing of the process of consultation, will permit Ministers the same right.

Hugh Templeton
Deputy Minister of Finance

Brockie bashings

I WISH to record my feelings of utter contempt and disgust of the recent cartoon by Brockie of Mr Dail Jones MP (*NBR* June 9).

Mr Jones is a God-fearing Christian making every effort to see that this country does not slide backwards into a post-Roman swill of immorality. The sly reference to Patricia Bartlett did not go unnoticed. It is not the first time your magazine has made snide remarks about her.

May I suggest that Mr Brockie put his talents to better use.

Members of my staff and several associates who read your magazine were disgusted with the cartoon, specially the last line.

It is my intention to cancel my subscription if there is any further "bashings" of those people, who are at least trying to do something positive to uplift the mind of the average New Zealander. An exercise that Mr Brockie's mind is lacking.

Charles F Donoghue
Auckland

Suspicion of a princess

THAT was a nice, well reasoned leader of yours (*NBR*, June 9) over Death of a Princess.

Arab experts and others in the British Press have been virtually unanimous in condemning the sensationalism and basic untruths in this fictionalised pseudo-documentary. Among the most strident has been *Private Eye*, which to put it mildly has had some fairly scurrilous things to say about the film-maker involved, with no sign of any writs to date — at least that I'm aware of.

What concerns me about the issue are the strident and misguided calls for free speech that appear to be successfully clouding the issue. If this was a responsible, accurate film of real worth, it most certainly should be shown here.

But with its highly suspect credentials, the film becomes simply a television curiosity, and leads to a danger that any load of old rubbish should be served up on television here, simply because it is controversial. To hell with the facts, and the consequences.

Terence Hall
Wellington.

Indigenous forest policy

THANK you for the Rev John Howell's study: "Indigenous forest review — protracted, repeated, edited and finally overridden." (*NBR* June 9).

There could be no better example of the cosmetic farce that is the Government's indigenous forest policy.

To me, the steward (the Forest Service) has at last begun to inquire of the runners (the public) what they want done with their forests — providing thay want what the steward wants. Even the far from extreme Royal Forest and Bird Protection Society, according to its' latest annual report, became so disillusioned with the action of the Forest Service in jumping the gun at Whirinaki (to get what it knew it would get anyway) that it withdrew its original advocacy for a Forest Park and gave its full support for National Park stations.

How much longer can we afford the luxury of the present Ministerial triumvirate of Forests, Lands and Environment?

Eric Bennett
Wellington

Childish cartoon

I AM writing to chide you on your poor choice of cartoon on Page 8 (*NBR*, June 16.)

I am surprised and offended that New Zealand's leading business journal should lower itself to such sexist and childish material.

I trust that such an oversight will not occur again, and indeed that *NBR* will start to offer more positive editorial work on women in business.

Catherine A Smith
Auckland.

More letters on Page 22.

Politics

When to intervene and when not to intervene

by Colin James

RESIGN, resign, the Opposition was chanting with gleeful indignation as this column went to the printer. Decent, unmalicious, unscheming Venn Young, just remarried, was in the gun.

His mistake had been to intervene—to urge the Marginal Lands Board to reconsider a twice-rejected application by Audrey and Jim Fitzgerald for special state finance to help them on their new farm.

Nothing special in that. Except that the Fitzgeralds are daughter and son-in-law to Young's ole mate Duncan MacIntyre.

There is no reason why Young, as chairman of the Marginal Lands Board, should not have passed on to the board without comment the facts supporting a review of their case. But endorsement was unwise.

More serious was his apparent presence at meetings when the Fitzgeralds were discussed.

As a "personal friend" (his words), he seems on the fact of it, according to the textbooks, arguably to have had a "personal interest" sufficient to require him to absent himself under section 8 of the Act.

If this view is correct, then (in countries where such barbaric rituals are still practised) it would be the stuff of resignation, no matter how honourable Young's motives doubtlessly were. Good intentions do not make up for bad judgment.

Much was still to unfold as I wrote this, so judgment could not be entered.

But there is a point to be made: Young *intervened.*

The Marginal Lands Board is an interventionist device to help struggling land-improvers. Had non-interventionism reigned, it would not have been set up and Young would not have been chairman of it and could not have intervened on the Fitzgerald's behalf.

But non-interventionism — that is getting the state out of people's lives, the National Party new breed's political raison d'etre — is not yet a universal creed.

Merv Wellington last week intervened to stop teachers taking a working hours case to arbitration — a sort of little brother's imitation of the Prime Minister's kibosh on Arbitration Court general wage orders last year.

You may not see immediately how arbitrary intervention of this sort reinforces Government pleas for unions to use approved arbitration channels.

That is probably because you don't understand the simple and sensible preconditions of arbitration — that you take there only cases the Government approves or, at least, is prepared to tolerate for some reason.

For instance, Jim Boomer's indexation case for his engineers may be vexing, but the Government is counting on his being able to deliver an agreement which will get the big energy plants up with a minimum of fuss.

So, while the non-interventionists have been battling away on other fronts, the interventionists have been winning in industrial relations.

And on electoral matters.

The National Government used to be non-interventionist. It took the line that voting is a privilege and you deserve the vote only if you make the effort to get on the roll.

That line was wrong.

Under the Electoral Act it is an offence not to apply for enrolment and not to notify changes of address once enrolled. You can be fined up to \$50.

Parliament clearly intended enrolment to be a duty — of the elector in the first instance, to be sure, but in the last resort to be enforced by the state.

Since the Electoral Act is all about voting, it is logical to assume compulsory enrolment is intended to encourage the widest practicable franchise.

And, since National was in power when the Electoral Act was passed in 1956 and has not used its majority since to repeal compulsory enrolment, it is hard to escape the conclusion that National politicians should begin to regard voting as a right — and one to be made possible not just by the elector but also by the state.

In simple language, the Government has a duty under the Electoral Act to help ensure those people qualified to vote are able to if they want to.

Trying to prosecute the thousands who don't enrol or don't notify address changes would probably fail through difficulty of proof.

So it comes down to encouragement. And the Government is at last moving.

Non-intervention did not work. In the short term it might have, in that those less likely to get on the roll were more likely to vote Labour — so helping National.

But in the longer term the unsatisfactory rolls in 1978, in 1979 in Christchurch Central and a few weeks ago in Onehunga and Northern Maori, have given the Labour Party the chance to make extravagant claims about disenfranchising voters.

Jim Anderton's phrase last week: "electoral apartheid".

In the hands of an aggressive needler like Anderton, imperfect rolls are political hay.

No matter what Justice Minister Jim McLay says after the event, Anderton can trade on the 1978 shambles to build up and leave lingering suspicions that the Government is not doing its utmost to ensure democratic elections.

The corrosive effect of this sort of suspicion is obvious.

So McLay — having watched from the back benches the disastrous non-interventionist policy of his predecessor, David Thomson, in 1978 — has turned interventionist against his own grain.

He is spending \$7.5 million to clean up the rolls and get qualified electors on them.

For one thing, he has started a write-out programme to those people who found they were not on the rolls in Northern Maori and Onehunga when they went to vote — sending them enrolment cards and inviting them to do something about their disenfranchised status.

Beyond that, he has an 18-month programme that he has been expounding both in Parliament and out.

He is not likely to succeed in outflanking the Labour Party — partly because of past suspicions and partly because it is impossible to get absolutely unimpeachable rolls, even if he sent canvassers personally to every house periodically, which he is not prepared to do.

So Labour may still be able to make some capital out of the rolls in 1981.

This is especially so with the Maori seats.

For a start, McLay will not allow until 1982 a new exercise of the "Maori option", the Labour innovation in 1975 which contributed heavily to the appalling state of the Maori rolls in 1978.

The reason: a new Maori option exercised on known general electorate boundaries would give opportunities for Maoris living within the boundaries of marginal seats to shift from the Maori roll to the general roll to help Labour win.

But in any case the huge, scattered Maori seats defy effective organisation, except perhaps, by the Maoris themselves.

So why have the seats if they are such a nuisance, the country seems to be asking.

Questions asked by Heylen polls for the *Auckland Star* found more than half of pakehas and just under half of Maoris in favour of abolishing them.

The results need to be treated with care. Two-fifths of Pakehas and just under half of Maoris want them retained. And the Maori figures are dubious, since only about 40 Maoris were interviewed, none of them rural Maoris.

Maori politics are in transition. Not in the direction represented by the Ben Couches, Rex Austins and Winston Peters of this world — but towards a stronger assertion of Maori methods and values.

Removal of the Maori seats would make it harder to accommodate that change within the parliamentary system, and thus create strains elsewhere. Intervention on behalf of Maoris is still probably necessary.

Onehunga indicator

THE Onehunga by-election tallies with the Heylen-*National Business Review* poll taken the same day.

On the final Onehunga results, National dropped from 39.46 per cent of the valid vote in 1978 to 39.24 per cent and Labour rose from 47.00 per cent to 48.11 per cent — giving a swing to labour of about 0.7 per cent.

Social Credit dropped from 11.35 per cent to 11.29 per cent.

The Heylen-*NBR* poll taken the same day gave National 40.6 per cent, Labour 38.7 per cent and Social Credit 19.5 per cent. Compared with the Heylen poll taken one week before the 1978 election, these figures represented a 1.1 per cent swing to National and an exact standstill for Social Credit.

These findings are close enough, given the 3 per cent statistical maximum margin of error in the poll, to be regarded as confirming each other as indicators of mid-term surface political opinion.

It is still too early, however, to be sure of long-term trends.

Researchers dig beneath Government energy plan

Economics Correspondent

THIS National Government has made much of its efforts to curtail public spending. But while it may have been successful in reducing the rate of spending growth in areas such as health and education, it is in danger of committing itself to annually subsidising multinational energy developers to the tune of $50 million.

In a carefully researched report released the other day, *Electricity in New Zealand is there a surplus to sell?* Geoffrey Bertram and Keith Johnston of the Development Information Group (DIG) argue that the only electricity surplus exists in the South Island and this will have shrunk dramatically by 1992/93.

The Government's plans to sell annually as much as 5000 gigawatts (a gigawatt — GWh — provides the power to run 10,000 million light bulbs) is enormously in excess of even the peak South Island surplus, which DIG claims will never rise above 2300 Gwh in any year this century.

To meet its commitments, the Government will have to produce energy by burning imported oil or by building a series of new electricity stations, or both.

So although it is cheap for the Government to supply up to 5000 Gwh of power now, as we move from surplus hydro-electricity into the generation of power from new hydro and oil or coal-fired stations, the cost will rise sharply.

If the increased cost of providing energy is not written into the contracts with industrial energy purchasers, it will have to be met by a subsidy financed by the community.

To measure what these additional costs might be, the DIG report introduces the economic concept of marginal cost. This is the extra expenditure which the New Zealand Electricity Department must incur in order to supply extra power. If new users of electricity pay a price for their power which exactly covers this marginal cost, then existing consumers are left no better off and no worse off than they were before.

"So far as existing generating stations are concerned, this means that the existing purchasers of power continue, as before, to pay the full capital charges (interest and depreciation) on these plants. The new consumers pay only the extra operating costs involved in producing more power from the stations.

"Where new power stations must be built to supply the new consumers, the full construction costs, as well as the operating costs of these stations, must be charged to the new bulk purchasers. If these costs are not met by the users of the power, then they will fall on some other section of the community. It is likely that either extra taxes will be put towards meeting these costs or the electricity price to local consumers will be increased."

The DIG report states that "once calculated, the marginal cost of power gives the minimum that should be charged to new users when the Government negotiates contracts for long-term sales. Selling electricity at marginal cost confers no benefit locally because consumers continue to pay the same price as before and the NZED will not make any profit from sales priced to cover marginal costs."

And DIG concludes: "The marginal cost is not the price we should aim for in negotiations — it is the absolute minimum below which we cannot afford to go." Sales of power at marginal cost can be justified if there are no other potential buyers willing to pay a higher price for any of the power or if there is some net benefit to New Zealand other than income from electricity sales (since the net income from those sales is zero).

Having established the method and application of marginal pricing, the authors dig behind NZED statistics to measure just what the marginal cost of supply 5000 Gwh might be.

They find that "during the next 10 years, we are capable of supplying this extra electricity at a cost below 1c a unit. Between 1990 and 1995, however, the cost rises to about 3c a unit. This escalation is over and above any inflation that may occur since these calculations are in 1980 dollars."

If the Government makes long-term contracts to sell energy at the price it can afford now without an escalation clause to keep pace with the rise in the true cost of power, future losses on its power sales could dwarf any early gains. Bertram and Johnston estimate that these losses could easily reach $50,000 million annually.

In other words, more public money would go to help multi-national energy developers to finance profit-making activities than is spent annually to lower the consumer price of milk. Or education spending would have to be reduced by about 5 per cent if the Government chose to provide electricity subsidies through cuts in education spending.

Looking particularly at aluminium smelting companies, the DIG report suggests that they would be delighted to obtain power at the sort of price electricity can be provided in the mid-1980s, "but there is not the faintest possibility of persuading them to commit themselves to pay what their power will cost to produce in the 1990s.

"In a world where other countries are signing long-term contracts to supply aluminium smelters with power at 1.5c a unit with no escalation, New Zealand cannot afford to offer long-term electricity supply contracts at a price that could be attractive to aluminium smelting companies."

And Bertram and Johnston are suspicious that the Government is secretly offering aluminium smelting companies a price which we, as a community, cannot afford. If the price is below the long-run marginal cost of providing electricity, then the burden of proof is on the Government to show that the other benefits from these companies make it worthwhile for the local consumer to subsidise their activities.

In a speech to the Pacific Basin Economic Council in May, Associate Minister of Finance, Derek Quigley said: "The Government is well aware of the need to set economic prices for electricity sales to such projects."

But Quigley foreshadows a different approach by the Government to this issue than that developed by the DIG report. "Electricity supplies currently available to us represent a substantial resource which we can and should put to the best use for our industrial development.

"Provided always that the terms are right, aluminium smelting highlights the range of benefits which foreign investment can provide. The main benefits occur in the downstream processing industries which the smelter would make possible, in the indirect jobs created in the engineering and services sector, in the export earnings which would ease our balance of payments constraint and in the tax returns to Government."

In another carefully researched paper released earlier this year, economist Paul van

Continued on Page 14

Commission's new approach to consensus law

PETER V. O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

THE Securities Commission hearings last week on the proposed securities regulations were a new approach to consensus lawmaking.

The Commission received submissions from 60 parties and arranged to hear 13, including the major financial "trade organisations" (Finance Houses Assn, Stock Exchange Assn, Bankers Assn, Retailers Federation, and the Merchant Banks Assn).

The hearings differed from the hearing of a Parliamentary select committee on a bill for two reasons.

First, they were much more informal. Second, while the Commission had advisers present to cover legal and accounting drafting points, the advisers operated in a different manner from public servants sitting in on a select committee, in that they took a fairly active part in the discussions.

There was another fundamental difference, but that goes back to publication of draft regulations.

A select committee considers a bill after it has been introduced to Parliament and given a first reading. Most regulations are drafted in a particular department, with the assistance of the law draftsman's office, and circulated to interested parties for comment although some prior discussion with those parties has probably taken place.

The Securities Commission issued its own draft regulations with a lengthy background paper. It called for submissions and then held hearings.

The Commission gave undertakings last week to review particular aspects of the regulations, and in some cases either deleted a provision on the spot, or accepted the alteration from a witness.

The Commission will prepare a second draft and circulate that for comment, before sending the final regulations to Justice Minister Jim McLay for consideration and probable gazetting.

The procedures emphasised two points in regard to the Commission's work in tightening and rationalising securities law.

The members, although not perhaps fully conversant with the finer details of particular businesses or industries, are well qualified in law, commerce, accountancy and industry.

Consequently they can see the problems inherent in various provisions much more readily than members of Parliament in a select committee, unless the committee is dealing with an extraordinary specialised issue, and has equally extraordinary special knowledge.

The second point was the complexity of modern industry and finance, particularly the latter. That can be overlooked when people decide to make glib judgments on what should be done to overcome a problem. The "solution" to the problem can give rise to more problems which make the solution unworkable.

One is reminded of the Road Charges Bill in this context. The discussion on that Bill gave rise to the immortal comment that it would be amended after becoming law, because it was impossible to get things right first time up.

The Securities Commission seems determined to get things right (or as right as possible) before anyone is saddled with gazetted regulations. (But it is also prepared to shoot holes in arguments if that is necessary).

The Finance Houses Association provided an excellent practical problem in the area of distinguishing between secured and unsecured loans to borrowers.

The draft regulations proposed that a prospectus should reveal, in relation to "amounts receivable" in the accounts, a statement of the proportion advanced on both a secured and unsecured basis.

The Association quoted the example of a finance house which offered an accountant Forest Products unsecured commercial bills in a particular deal. Another organisation (would you believe the lamented Securitibank?) offered the same potential client "secured" assets of a small, little known business, and allegedly claimed that their offer was better, because the bills were "unsecured".

The submission of Auckland investment group, Reeves Moses Hudig and Co, raised the question of people in existing property syndicates, operating under the Syndicates Act, who wished to quit their investment. Under the proposed regulations (which may inadvertently have overlooked this specialised problem), a prospectus may be needed at an expense out of proportion to the size of the investment.

The Commission undertook to look at this. Chairman Colin Patterson commented: "We may have to write a little chapter on property syndicates".

Other examples of detailed problems arose, and the Commission regularly expressed willingness to find solutions without destroying the broad scope of the regulations.

There was widespread disapproval of the proposed requirement for directors to reveal future corporate plans and forecasts of changes in financial position in the ensuing year.

Investors may find it desirable to have such information, but in practice it seems (according to submissions) that directors would cover themselves in such vague language that the result could be farcical.

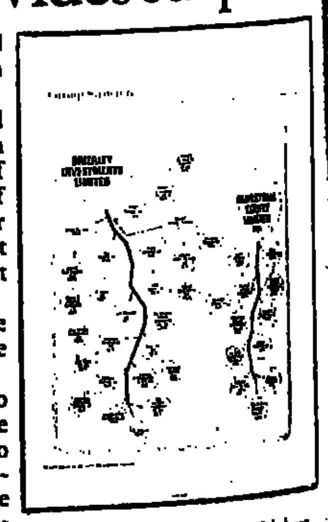
The thrust of some submissions was that confidentiality and competition outweighed the need for such disclosure, and that either disclosure, or the likely vagueness, could work against the investor's interests in those circumstances.

The Commission's second draft will be waited with interest, as will the final regulations.

Whatever the outcome, the hearings made one thing clear. The Securities Commission commands high respect in the commercial and financial community. They do not bestow respect readily, but the Commission's work in its short life has entitled it to that reception.

Brierley provides surprise preference shares

BRIERLEY Investments Ltd can be relied on to come up with the unexpected.



The company announced last week that it is making an issue of $3 million worth of specified preference shares of $1 each, redeemable at par after three, five, seven or ten years, at a dividend rate of 16.75 per cent a year for all terms.

The investor is to nominate the repayment date at the time he applies for shares.

The issue is unusual on two grounds. First, it is made to the public at large, rather than to existing shareholders, although one million shares have been reserved for them. Some Brierley shareholders may criticise that point, but they are called on regularly to subscribe to cash issues (usually on terms which provide good rights trading, and subsequently receive a bonus issue) and that has raised the odd criticism at annual meetings.

The company may feel that an offer to "the world at large" (subject to the one million reservations) is a better method of raising the necessary funds. A specified preference share issue has attraction to institutions, due to their tax situation, rather than to existing shareholders, who will have to pay tax on the dividend (although the payment is tax deductible by Brierley).

Existing shareholders receive dividend payments with a tax free element, which, depending on the average cost of their holdings and their marginal tax rates, may result in a better return than the current issue, even with its attractive dividend rate.

And that raises the second point. Brierley is offering a payment which is the highest from any public company, for this type of security, and which also tops the highest debenture rate available on the market.

It is 0.75 per cent above the Challenge specified preference rate — which convert to ordinaries — and 1.25 per cent higher than that company's debenture rate. The latter was offered on $17 million worth of stock, and the issue was oversubscribed in four weeks.

The Brierley issue may be filled by the time this issue of *NBR* appears, and there could be an opportunity to make some money when the specified preference shares are listed on the Stock Exchange. The market is likely to lower the dividend yield, judging by the present range of yields on such securities. That will push up the price.

Brierley has always been able to offer rates ahead of the market for two reasons. The group has a high earning rate through its various activities, which include the realisation of assets as a normal part of business, the regular "strategic positions", which tend to return profits at a sustainable level each year, and normal industrial trading operations.

The payments of interest on borrowed funds, or dividends on specified preference shares, are tax deductible, so the group lowers its real payout, while being able to increase the return to investors, even when allowance is made for the investor's tax liability.

A redeemable specified preference share thus has benefits for both the issuer and the investor.

Unlike a convertible security, there is little price fluctuation (except upwards to take account of the approaching maturity date), unless all interest rates show another strong increase.

Interest rates are "topping" at present and Brierley is 0.75 per cent above the apparent top. There is some leeway for the rest of the market to catch up, assuming that rates might go higher in the medium term.

A convertible issue is related to the price of the head securities, which can change for many reasons, including the return on alternative fixed term investments. Convertible issues also relate their price to other interest rates and so on, but there are other factors in the market's assessment.

The investor in redeemable share therefore has more certainty in the development of his security (subject to the point that the specified preference share is not "secured" in the sense of ranking ahead of a secured debenture in a winding up, because it falls into capital if that happens, although it would be repaid before ordinary capital).

The company benefits through the tax deductibility, and keeps its head share supported without any influence from "watering" the capital, as conversion date approaches.

There are also benefits in convertible securities, depending on how the offer is constructed. Whether one finally outweighs the other can be a matter of "horses for courses". The course is the investor's personal circumstances and the horse is the construction of the offer.

Brierley's habit of topping the market goes back many years. In the days when the establishment looked suspiciously on the company's activities, there was considerable discussion on an offer of unsecured notes for five years at an unheard of 10 per cent a year interest rate.

Anyone coming to the market with 10 per cent for five years would be laughed down the street today, although it should be noted (in understatement) that there has been a substantial lift in inflation rates over that time.

The company operates more or less on the same basis as it did in days of yore. The difference in acceptance may relate to greater appreciation of the group's activities, and the fact that many of its techniques are now commonplace.

The issue should have little effect on other interest rates, because it is for $3 million only, and should be closed soon.

Note: The writer neither owns, nor has a beneficial interest in, Brierley shares, and will not be applying for the issue of specified preference shares.

Analysing annual accounts: Farmers Trading Ltd

THE Farmers' Trading Co Ltd, New Zealand's largest retail organisation, did well in the year to March 31, to lift profit to 3.85 per cent of sales, compared with 3.74 per cent in 1979.

Rawdon Busfield . . . regulation proposal disappoints

We presume it did so by holding expenses. The "presumption" is made because the company fails to give any breakdown of its expenses, apart from the statutory disclosure of audit fees, interest costs, directors fees and so on.

The company earned $5.5 million on retail sales of $142.4 million, so shareholders might have some interest in where the other $137 million went.

Failure to give the figures in a company of such size has an amusing sideline in the comments of Chairman Rawdon Busfield.

Referring to the proposed securities regulations (on which the Securities Commission was holding hearings last week) Busfield says: "It is, therefore, most disappointing to find that their proposed regulations would result in major companies having to produce bulky prospectuses containing large quantities of information much of which would add little to an investment decision based on the annual published accounts.

"It is to be hoped that the requirements finally adopted will be somewhat more realistic."

Busfield may be even more disappointed to learn that submissions to the Commission include the suggestion that companies should disclose a summary of the expenses incurred in reaching pre-tax profit.

Whether the Commission accepts that view is immaterial. Other large companies provide the information, and manage to survive without suffering, while their shareholders are better informed of the relationship of profit to turnover.

The group continued its history of financial strength. Shareholders funds increased $3.6 million to $47 million, and the net asset backing per share went from $1.99 to $2.17 for each 50 cents share.

There were several movements in the company's funds over the year, but the final result was a slightly lower proprietorship ratio (shareholders funds to total assets), at 53.3 per cent compared with 54.9 per cent in the previous year.

The alteration is insignificant when related to total assets of $88.3 million ($79.2 million in 1979).

Given the difficult trading condition of the past 12 months, the company maintained its finances at a good level.

Indebtedness to the bank moved up $3.15 million to $4.35 million, but Farmers repaid an overseas loan of $2.5 million during the year, the balance of the higher overdraft apparently being used to finance the ongoing business.

There is sense in replacing overseas loans with local finance as soon as possible, a point which many companies have taken this year.

The inclusion of inflation adjusted accounts would help to explain other changes in balance sheet items. In the absence of a CCA statement, we can only guess at the pressure of inflation on money requirements, inventories, debtors and other balance sheet entries.

Inventories were about $6 million higher at $38.4 million, and at balance date represented 43.5 per cent of total assets, as against 41 per cent in 1979.

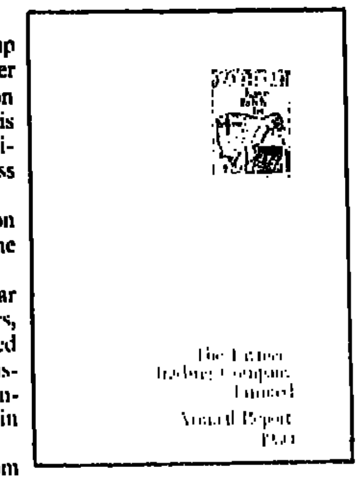
The company's sales were up (whether through a higher volume of business or inflation does not matter), and there is always a growing stock requirement as a retail business develops.

Add in the effects of inflation on replenishing stocks, and the increase is reasonable.

There was a similar movement in trade debtors, after allowance for deferred profit on time payment transactions (Farmers has a considerale volume of business in time payment sales).

Net trade debtors went from $21.2 million to $25 million, while the deferred profit rose $1 million to $7,966,260.

The latter amount represents future profit for the company, and should assist profitability in the current term, assuming that a substantial part of the increase falls into the 1980-81 accounting period.



An examination of fixed assets shows that group shareholders funds, and net asset backing, is higher than the figures disclosed in the balance sheet. The notes to the accounts say that the latest government valuation of land and buildings is $22.6 million, compared with a book value of $17 million.

The additional $5.6 million would, if added into the reserves, give another 28 cents of asset backing for each 50 cents share, before taking specified preference shares into account.

The company improved its relationship of cash flow to total assets between 1979 and 1980. The figure (net profit plus depreciation expressed as a percentage of total assets) rose from 7.18 per cent to 7.61 per cent.

That was a good performance, given the sluggish rate of retailing in the early part of the financial year.

Retail sales are improving (subject to whatever happens in the budget), so it will be interesting to see whether Farmers can improve its ratios again this year.

O'Brien on business

Sorting the State from the corporate chaff

THE annual reports of the Shipping Corporation and the State Insurance Office show the danger of judging all public corporations according to the same criteria. There is also a problem in comparing the shipping corporation's performance with a private sector operator.

The Shipping Corporation made a loss, after non-cash and extraordinary items, of $4,875,000 for the five months to August 31, 1979. State Insurance made a net profit of $12.5 million, before taking into account about $7 million as a "prior period adjustment after taxation".

The latter result would normally be described as "good", while the former would be "bad". The "bad" would create criticism of State organisations in relation to the private sector.

The two corporations cannot be compared that easily, because they are attempting to achieve different objects.

The Shipping Corporation report says that group operating profit (before finance costs and some other items) showed an improvement over the previous full year, relative to turnover.

"However, cash operating surpluses have diminished as a direct consequence of the very high finance costs, as the majority of the corporation borrowing is overseas, where interest rates have increased very greatly" (our sub-editors wince at the "very greatly", but that is what the report said).

The corporation's revenue figures are global, and therefore make no distinction between savings in overseas exchange on freight rates and income which is unrelated to overseas exchange. There is also no indication of the proportion of expenses paid in overseas currencies (except interest) and that paid in New Zealand.

Subject to the lack of detailed information, we can assume that several million dollars relate to overseas exchange savings (turnover was $31.5 million for five months, and the operating surplus was $6,344,000 before adding interest of $680,000).

The question arises whether it is in "the national interest" for the corporation to pick up a net loss of more than $4 million in the course of saving overseas exchange?

That has to be related to whether the finance costs of overseas loans on vessels and so on is realistic when compared with whatever amount is saved in freight payable in New Zealand currency rather than to overseas operators.

The answers will probably depend on one's general view of the State's activities in trading enterprises, the relative amounts involved, and whether profit is (or should be) an absolute for the State, as it is in the private sector.

Whatever the answers, the nature of the questions suggests that the debate has to be conducted on a different level from that involving only private sector companies, or other public corporations with dissimilar functions.

The Shipping Corporation's finance charges' problem shows up in the balance sheet. Term loans totalled $94.5 million at August 31 1979, compared with $88.5 million five months earlier.

The notes to the accounts say that 60 per cent of total loans at August 31 were euro-dollar bank loans, as against 34.2 per cent at March 31.

At August 31 the corporation had paid finance charges of $6.5 million in five months and had unrealised exchange losses (written out of the profit and loss account) worth another $3 million. The $6.5 million included realised exchange losses of $1 million.

The total of $9.5 million ($6.5 million plus $3.0 million) in five months compares with $9.2 million for the 12 months to March 31, 1979.

The State Insurance Office's report is a document which can be identified more readily with private sector counterparts, because the office is effectively a general insurance company.

It will be one of the few New Zealand insurance organisations to show a healthy underwriting surplus in respect of the 1979-80 financial year.

The "big three" insurance companies (National, New Zealand Insurance and South British) have substantial operations overseas, particularly in Australia where the underwriting business is so competitive that it is uneconomic.

Those groups usually make up their underwriting losses with sizeable levels of investment income.

The State Insurance Office last year had the reverse result. Underwriting income of $7.6 million compared with investment worth $6.1 million. The figures were the other way around in 1979, when underwriting income totalled $1.6 million, and investments contributed $5.8 million.

It would be interesting to know whether the State Insurance Office comes within Rob Muldoon's classification of a "passive investor".

There was an amount of $16.8 million included in investments at December 31, relating to shares in companies. The assessed value was $20.4 million at balance date, giving a margin of almost 25 per cent above cost.

State Insurance is not a life office, so there is no pressure to perform for policy holders in terms of higher bonuses each year to keep up with inflation. It could therefore be "passive" without much trouble, and be in Muldoon's good books, as opposed to those naughty life offices which buy and sell shares as the market and their margins permit.

Economics

Continued from Page 11

Moeseke of Otago University analysed some of the broader issues Quigley refers to (see Pages 26 and 27). He found that jobs created by a smelter are extremely costly. And, as far as the balance of payments is concerned, the domestic inputs used up by an aluminium smelter would be almost three times more productively employed in our other export activities.

Quigley claims to be aware that the benefits of energy-intensive industrial development will only be reaped if "prices, taxes and other charges are correctly set". He said: "I am not unsympathetic to those who warn of the dangers of incorrect analyses or decisions by the Government".

But we have yet to see a research report from Government as detailed as those by DIG or van Moeseke.

The last word goes to Bertram and Johnston. "If the benefits to be gained from large scale electricity sales to multinational enterprises are sufficient to outweigh the benefits that New Zealand would otherwise reap from a reserve of renewable energy resources then the Government can have nothing to fear from a free and open debate. Where the citizens encounter secrecy and evasion on these issues, they are entitled to suspect bad planning and bad conscience."

South Island	GWh fourteen year totals 1980/81 to 1993/94
	198,820
South Island mean-year generating capacity (all renewable)* minus South Island projected demand (without new smelters) central forecast	122,200
	76,620
Gives total South Island excess supply minus exports to the North Island via the Cook Strait cable @ 4.200 per annum	58,800
gives UNCOMMITTED SOUTH ISLAND SURPLUS	17,820

*Excluding Clutha, since this is yet to be finally approved, but including the Upper Waitaki stations.

North Island	GWh fourteen year totals 1980/81 to 1993/94
North Island mean year generation from renewable sources (hydro and geothermal)	122,600
plus imports from South Island via Cook Strait cable (minus 10% transmission loss)	52,920
gives total electricity from renewable sources available for North Island	175,520
Compare this with projected North Island demand, which is:	235,800
and we have the deficit of power from renewable sources (that is the amount that must come from fuel-burning stations)	60,27[illegible]

Source: All data is drawn from the 1979 Report of the Planning Committee on Electric Power Development, with North and South Island demand dis-aggregated on the basis of information supplied by NZED.

Stock Exchange weekly review

FOR WEEK FRIDAY JUNE 20 TO THURSDAY JUNE 26

	Last Sale	Week's High	Week's Low	Turnover
AIRWORK,50C	117	117	117	700
7.5% PR	...	...	...	0
6% PR	...	...	...	0
AJAX G.K.H.	290	290	290	1600
A.J.WHITE	100	...	...	0
11.5% CONV PR	...	...	...	0
ALCAN,50C	168	168	165	500
A.H.I.	222	223	220	8400
ALLIANCE,50C	46	48	46	31300
12% CONV PR	43	43	43	200
ALLFLEX	118	118	117	14000
ALLIED FARMERS	272	275	272	7100
12% CONV PR	275	275	270	400
ALLOY STEEL	230	...	...	0
A.F.AISLEY, 50C	195	195	195	1100
AMPOL PET.,50C	150	...	...	0
A.BEAVEN	109	110	108	15100
11% CONV NTS	100	100	95	2300
11.5% CONV PR	93	94	93	1600
ANDAS GROUP	105	105	105	1300
5-6.5% PR	90	...	...	0
12% CONV PR	90	...	...	0
ANZ BANKING GROUP	220	227	218	51700
A.WRIGHT	330	330	330	1200
"A" 6-7.5% PR	...	...	...	0
"B" 5-6% PR	...	...	...	0
A.BARNETT	185	185	180	500
A.ELLIS	60	...	...	0
ARTHUR YATES	350	350	340	4100
12% CONV PR	132	132	132	100
ASHBY BERGH	225	...	...	0
A.B.CABLES	195	195	195	1800
ATLAS, 50C	39	39	37	36100
10% CONV PR	35	35	35	7200
AUCK.GAS	480	490	460	10900
AURORA,50C	140	145	140	6800
10% CONV PR	...	...	...	0
14% CONV NTS	110	...	...	0
A.C.I.	198	...	...	0
AUTOCRAT HOLDS	160	160	155	1900
BAILLIE,50C	64	64	64	300
BALLINS,50C	72	72	70	33300
11% CONV PR	65	65	65	600
BANK NSW	360	360	355	7000
BEACH PETR.,50C	230	...	...	0
BING HARRIS, 50C	70	70	70	5300
B.N.Z. FINANCE	740	...	...	0
BRAMBLES BURNETT,50C	70	72	70	4300
BRIDGEVALE,50C	55	55	55	2000
BRIERLEY, 50C	292	298	285	22600
12.5% SPEC PR	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Last Sale	Week's High	Week's Low	Turnover
H.B. F[illegible]	[illegible]	[illegible]	[illegible]	300
13% [illegible]	[illegible]	[illegible]	[illegible]	0
HEALIN[illegible]	[illegible]	[illegible]	[illegible]	4200
10% [illegible]	[illegible]	[illegible]	[illegible]	0
12% [illegible]	[illegible]	[illegible]	[illegible]	7400
H.POLL[illegible]	[illegible]	[illegible]	[illegible]	7250
10% [illegible]	[illegible]	[illegible]	[illegible]	0
HENRY [illegible]	[illegible]	[illegible]	[illegible]	14900
10% [illegible]	[illegible]	[illegible]	[illegible]	0
HOOKER[illegible]	[illegible]	[illegible]	[illegible]	0
HUME I[illegible]	[illegible]	[illegible]	[illegible]	0
5-7.[illegible]	[illegible]	[illegible]	[illegible]	0
10% [illegible]	[illegible]	[illegible]	[illegible]	0
I.C.I.[illegible]	[illegible]	[illegible]	[illegible]	0
I.C.I.[illegible]	[illegible]	[illegible]	[illegible]	2100
IND B[illegible]	[illegible]	[illegible]	[illegible]	400
INDEP[illegible]	[illegible]	[illegible]	[illegible]	700
IND.C[illegible]	[illegible]	[illegible]	[illegible]	1500
INTER[illegible]	[illegible]	[illegible]	[illegible]	0
I.W.D[illegible]	[illegible]	[illegible]	[illegible]	40900
JAMES [illegible]	[illegible]	[illegible]	[illegible]	900
JAMES [illegible]	[illegible]	[illegible]	[illegible]	1000
14% [illegible]	[illegible]	[illegible]	[illegible]	200
J.E. [illegible]	[illegible]	[illegible]	[illegible]	100
12% [illegible]	[illegible]	[illegible]	[illegible]	100
J.BUR[illegible]	[illegible]	[illegible]	[illegible]	8000
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	300
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	193200
[illegible]	[illegible]	[illegible]	[illegible]	18400
[illegible]	[illegible]	[illegible]	[illegible]	39300
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	5400
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	100
[illegible]	[illegible]	[illegible]	[illegible]	26000
[illegible]	[illegible]	[illegible]	[illegible]	9500
[illegible]	[illegible]	[illegible]	[illegible]	3700
[illegible]	[illegible]	[illegible]	[illegible]	2000
[illegible]	[illegible]	[illegible]	[illegible]	30600
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	200
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	20100
[illegible]	[illegible]	[illegible]	[illegible]	200
[illegible]	[illegible]	[illegible]	[illegible]	17200
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	16400
[illegible]	[illegible]	[illegible]	[illegible]	2400
[illegible]	[illegible]	[illegible]	[illegible]	2500
[illegible]	[illegible]	[illegible]	[illegible]	24700
[illegible]	[illegible]	[illegible]	[illegible]	2000
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	32500
[illegible]	[illegible]	[illegible]	[illegible]	4200
[illegible]	[illegible]	[illegible]	[illegible]	2800
[illegible]	[illegible]	[illegible]	[illegible]	3200
[illegible]	[illegible]	[illegible]	[illegible]	0
[illegible]	[illegible]	[illegible]	[illegible]	22600
[illegible]	[illegible]	[illegible]	[illegible]	7700
[illegible]	[illegible]	[illegible]	[illegible]	400
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	Last Sale	Week's High	Week's Low	Turnover
SKELLERUP,50C	300	305	300	1100
5-7.5% PR	35	...	...	0
SMITH & BROWN MAPLE 50C	190	...	...	0
SMITH BIOLAB,50C	180	180	180	2100
12% CONV PR	135	...	...	0
SMITHS C.H.	126	127	126	6100
STH. BRITISH	283	283	278	50500
STHN. CROSS HOTEL	115	115	110	53900
STHN CROSS MINS.,20C	16	17	15	322200
S.F.M.	210	220	210	29000
SPEDDING, 50C	55	55	55	1700
12% CONV PR	70	70	68	300
STEEL & TUBE, 50C	108	110	107	15100
SUCKLING	155	155	155	500
TASMAN, 50C	338	340	335	18000
RED PR	...	...	...	0
PART PR	...	...	...	0
TAYLORS	118	118	118	200
12% CONV PR	...	...	...	0
TELTHERM	185	188	185	2200
12% CONV PR	...	...	...	0
T J EDMONDS	370	370	370	100
TOLLEY	90	90	90	8500
TOUR FIJI	55	55	55	230
TRANS ASHBURTON, 50C	45	45	45	300
TNL GROUP, 50C	75	75	75	14200
10% CONV PR	60	60	60	400
12% CONV PR	65	63	61	1600
TRANS (NTH. CANT.)	100	100	100	500
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5.75% PR	72	72	72	620
WORMALD	290	...	...	0
5-7.5% PR	...	...	...	0
W.R.CARPENTER,50C	216	...	...	0
W.SUTHERLAND	135	135	135	630

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Govt lays out line industry programme

by Rae Mazengarb

SUBJECT only to minor alterations, the Government has accepted the Industries Development Commission's recommendations on the twine and cordage industries.

Industry groups were still evaluating the decisions last week, but there are signs that some at least will feel they have not got what they wanted.

Part of the Textile Industry Development Plan 1976-86, the cordage industry will be regarded as an area which does not require "special" encouragement, but a high proportion of local content will be encouraged.

Announcing the decisions, Trade and Industry Minister Lance Adams-Schneider said: "The main aim is to set the climate for future development, to allow for future rationalisation with Australia and to service the domestic market efficiently."

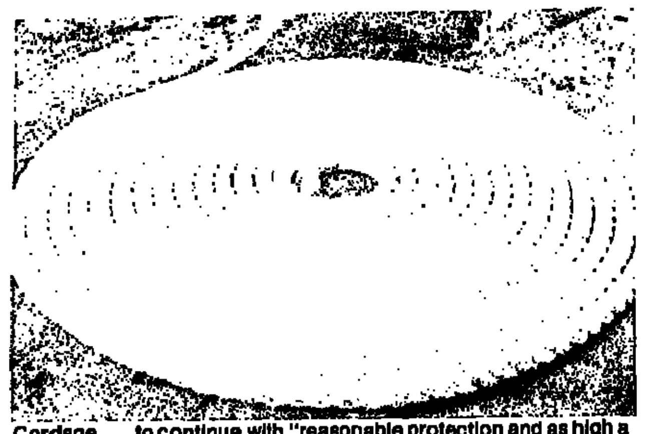
He said the sacks, bags and cordage industries were an area "which should not receive special assistance" but were expected to continue with "reasonable protection and as high a proportion of local con*tent as possible*".

The reports recognised that the present industries were "good performers", he said, and there was no need for major changes.

No positions would be at risk through any of the commission's recommendations.

Those who made submissions to the IDC or appeared as witnesses included rope manufacturers Donaghys Industries Ltd and Feltex New Zealand Limited; the New Zealand Fishing Industry Board; the New Zealand Federation of Commercial Fishermen; *Southland* Fishermen's Cooperative and Federated Farmers of New Zealand.

Letters of support for local cordage manufacturers were received from the Venetian Blind Manufacturers Federation and the Otago Council *Incorporated of Dunedin.*



Cordage . . . to continue with "reasonable protection and as high a proportion of local content as possible"

The industry has been highly protected from import competition, except for the highly specialised mountain climbing rope.

Fishermen have continually complained that the licensing controls prevented the fishing industry from being able to evaluate the different qualities of overseas-produced ropes. Many, too, have complained about the high cost of the local product.

Southland fishermen particularly wanted to import their own rope because of the rough sea conditions in the South.

Past representations to Government by crayfishermen led to some import licences being granted for the Korean-made Manho product, which a *DSIR test last year showed to* be stronger than the local equivalent, Donlene.

The crayfishermen claimed the local product was not only more expensive, but not strong enough to hold the cray pots. But the manufacturers of Donlene, Donaghys, said further imports would jeopar*dise its attempts to develop a* stronger and longer lasting rope.

Because of the import controls, there have been reports of fishermen being involved in "deals over the decks" to obtain *ropes from Korean fishing* vessels.

Industry groups have denied this, but have admitted that the advent of joint fishing ventures provided fishermen with an indication of the wide variety of ropes available overseas.

The manufacturers, on the other hand, suggested – before the Government *decisions* – that if overseas products flooded the local market, local manufacture would be "decimated".

If local manufacturers were forced to close, the fishing in*dustry would be dependent on* overseas producers who could then charge any price they wanted, they argued.

The IDC took a middle line, agreeing that generally there was satisfaction with locally-produced rope – *aside from the* Donlene alternative to Manho – and that the cordage industry should "receive encouragement".

But it recommended a liberal import licensing policy for twine and cordage of *kinds not* made in New Zealand "and to cover any shortfalls which might occur because of insufficient domestic manufacture subject to proof of need and non-availability of a suitable local alternative".

And it recommended that further import licences – not *exceeding* $400,000 – be made available to permit the importation of goods directly competitive with the local product.

Accepting those submissions, and to correct an anomoly that has irritated local *fishermen, the* Government has also accepted the IDC recommendation to free imports of fishing lines, twines and netting.

"Fishing lines or twines under 4mm diameter and flat braided netting *twines* between 4mm and 8mm diameter suitable for use in the repair of fish netting, when declared for supply to commercial fishermen for use in repairing nets made of identical materials" have been approved for admission free of duty.

The Government has also agreed to take some goods such as twine and cordage suited for fishing lines or in the manufacture of nets and netting – as approved by the *Minister* of Customs – off licence. This should please fishermen who *wanted to ensure* a ready supply of both line for long line fishing, and twine for mending nets.

Donaghys *managing* director Nat Craig was unavailable for comment before we went to press, *but industry* sources suggested the company would be happy with the decisions.

Southland Fishermen's Coop Manager Ken Te Au said that until the decisions had been studied in detail, he could not comment. But he said Southland fishermen wanted to import rope strong enough to cope with some of the "worst" sea conditions in the country. With crayfish pots costing between $100 and $150 strong rope was a vital factor, he said.

Ray Polson, of the *Federation of Commercial Fishermen,* said he was still trying to assimilate the decisions, but it appeared "we haven't got too far," he said.

Computers put quarter of a million out of work

A STUDY of the impact of computers upon Australian industry and commerce, conducted by the *Foundation for* Australian Resources, has established that some 244,000 jobs have been displaced by computers in the past 20 years.

The foundation is a non-profit organisation funded by industry; its members are principally senior executives and academics.

In arriving at this assessment the foundation says it has used conservative measures of job losses and the figure could be worse – ranging from 244,000 to 400,000.

To arrive at these estimates the investigators took the work throughput of a standard small computer, costing about $A20,000, and equated it with *the work done by a number of* people on normal office duties, for which there are well established figures. The investigators then determined the number of computers in Australia, their size, configuration and price, and related these findings to the standard computer, to arrive at a total manpower equivalent.

*The research was co-ordin*ated by Dr Barry Thornton, computer consultant to the United States Airforce and the Boeing Corporation. He said the number of people actually put out of work by computers in Australia was about 24,000 or one in 10 of the jobs displaced; the remainder represented lost opportunities, jobs that would have been available had there been no computers.

Despite these figures, he said, it was difficult to determine the overall impact that computers had made on Australia's current level of unemployment because it had proved impossible to ascertain with any accuracy whether persons displaced by computers had found work else*where.*

To an extent the loss of jobs had been countered by jobs created by computers. Thornton said the number of jobs created by computers can be fairly accurately assessed – at about 77,000, mainly higher level jobs in the computer industry itself and associated industries.

He suggested that the contrast of 77,000 jobs created with 244,000 jobs displaced rather demolished the myth that computers created more jobs than are lost. An earlier survey by the foundation in 1975 had put the total job displacement at 200,000.

The foundation's current study also discovered that Australia is still about 50 per cent under-computerised which may well mean an even greater loss of jobs in the future.

But again this is a difficult area in which to forecast the impact of computers on those sectors that are under-computerised, such as manufacturing, transport and communications.

The Government-funded Myers committee on technological change in Australia has encountered a reluctance on the part of private manufacturers to provide information on proposed technological changes. Private enterprise has made relatively little contribution to the Myers Committee report simply because it cannot afford to release to its competitors confidential information on new technology it is about to *introduce.*

For this reason the draft copy of the Myers report, is said to leave largely unanswered the question of what impact computers are likely to have on Australia's manufacturing industries as distinct from office data processing. For the same reason the report has little to say on the effect of computers on the employment of women since private enterprise employs a great many women.

The Myers inquiry draft report has been criticised by some unions as altogether failing to address itself to the problem of computers and long term unemployment while supporting the introduction of new technology.

In turn the unions' own *submissions to the Myers in*quiry have been attacked by a leading British economist, Dr Peter Stubbs of Manchester University, as an indiscriminate patchwork of tendentious examples expressing "the pathological trade union syndrome of overbidding".

Newcomer casts nation in Pacific leadership role

by Grev Wiggs

A THRUSTING, aggressive New Zealand in a leadership role, bonding together the nations of the Pacific Basin in a new market structure; as a result, earning a fresh stature and enhanced respect for the country and its products; through the feedback from these close associations, able to identify additional market opportunities for its products and services; willing and able to respond to these opportunities by harnessing the country's high technical skills, manifold resources and extensive infrastructure to satisfy the observed demand. A new, well-founded prosperity.

This scenario is not the dream of a wide-eyed visionary but a calculated proposal by a newcomer to New Zealand who is equipped by training and experience to produce this overview of New Zealand's potential.

Dr Suzanne Stafford BA, MA, MBA, PhD, whose graduate subjects cover political science, international relations, international business, marketing, with special emphasis on the Pacific Basin, has worked for the Bank of America in the East Europe division, run her own consultancy and assisted New Zealand companies in United States marketing operations.

She first visited New Zealand on a 14-nation get-acquainted tour of the Pacific and fell in love with it then. When the opportunity to reside in this country arose, she seized it and only a few weeks ago returned to New Zealand to take the position of marketing consultant with Dobbs-Wiggins McCann-Erickson, the New Zealand end of the multinational advertising agency McCann-Erickson.

Here she will advise clients on marketing, both domestic and export, and with special emphasis on the United States.

Stafford sees the Pacific as an area of abounding opportunity and still possessing a frontier quality.

The greatest potential for trade development is through the establishment of an economic council, not dissimilar to that of the EEC.

"No country is promoting the idea actively," Stafford told *NBR*, "so that role is open for New Zealand to take and it is opportune for this country to use it. No other country is better placed to take the leadership in this venture.

"New Zealand's size would not intimidate the smaller powers who would be overwhelmed by Australia, Japan or USA. This country is well placed geographically for the purpose.

"It has been a friendly and helpful neighbour to developing countries and is well regarded by them. At the same time it has the respect of, as well as the commercial links, with the developed nations.

"Its political position is a beautiful blend of private enterprise and socialist services, a mix acceptable to all.

"It can well be the destiny of New Zealand to act as the nexus or bonding agent for the whole Pacific Basin economy."

The reward for such enterprise, Stafford believes, will take the shape of fresh and desirable marketing opportunities.

Suzanne Stafford . . . nexus or bonding agent.

"New Zealand is under-marketed in the sense that it is not sufficiently well known overseas. There are not enough marketing associations – few marketing symbols.

"In the leadership position, it will develop a new image and the leadership association then applies to its products as well.

"It is never harmful to any product to be given a political introduction."

In addition, she argues, we would be in a position to see the opportunities that exist for our products in other countries through the information feedback that comes from such close association. This will open the gates to what Stafford describes as "responsive marketing."

New Zealand is peculiarly well fitted to the production of a great range of services or commodities.

The infrastructure for flexible production already exists. Labour is available, much of it consisting of people with a high degree of training.

One limitation springs from the population size which imposes a finite limit on expenditure and the development of investment capital.

In a period of inflation coupled with a recession, foreign investment is necessary to stimulate the economy. More money has to circulate and it must come from outside the country.

"New Zealanders are a modest, even diffident people and in some ways under-rate their country's achievements. They realistically recognise the limitations of size and the problems imposed by being so remote from the major centres of the world.

"But they compensate for this with their propensity for travel – they're amazing travellers – and they observe other lifestyles and incorporate the best aspects of these in the New Zealand way of life."

So New Zealand is well equipped, asserts Stafford, to take its real place in a developing Pacific economy.

"Add it all up. We have (and Stafford already talks in the first person plural) a great deal of advanced technical information. We have physical, natural and social resources of enviable dimensions. We have the right geography. We have a clever, creative, adaptable and resourceful work force of high education and ability.

"Through focussing and directing its trade policies, New Zealand can go anywhere it wants to go."

These are brave, even inspiring, words for a newcomer. Is there anyone out there listening?

Horticulture

Horticulture: getting its act together at long last

by Wayne Cartwright

THE Third Horticultural Export Symposium will probably be remembered as a turning-point in the development of the industry's exporting effort because delegates accepted two key ideas.

- It was *recognised that* development should be market-oriented, in contrast to the present sales orientation of the industry;
- It was accepted that planning is necessary, particularly to ensure better co-ordination of development effort in the fragmented parts of the industry.

There was no wild enthusiasm about these ideas. Rather, there was the realisation that the almost euphoric planting expansion of the past two years must give way to a more rational and hard-headed approach to industry development.

Some sections of the industry are already on a market-oriented and planned track. Pip fruit and *kiwifruit* are obvious examples.

But, the need for market-oriented planning is especially clear for berryfruit, cut flowers, and new types of subtropical fruit.

No-one close to the horticultural industry doubts that it has a large potential for export *development, and it* remains one of New Zealand's brighter stars as a future earner of overseas exchange.

But some of the recent enthusiasm for expansion has been misguided and is likely to lead to temporary exporting problems in the next few years.

All of these immediate problems stem from the philosophy that "if it will grow here, *then let's plant it and worry* about marketing it later".

Most of the recent expansion into blueberries, avocados and feijoas reflects this approach.

More specifically, many growers have been planting large areas without proper regard to future market opportunities.

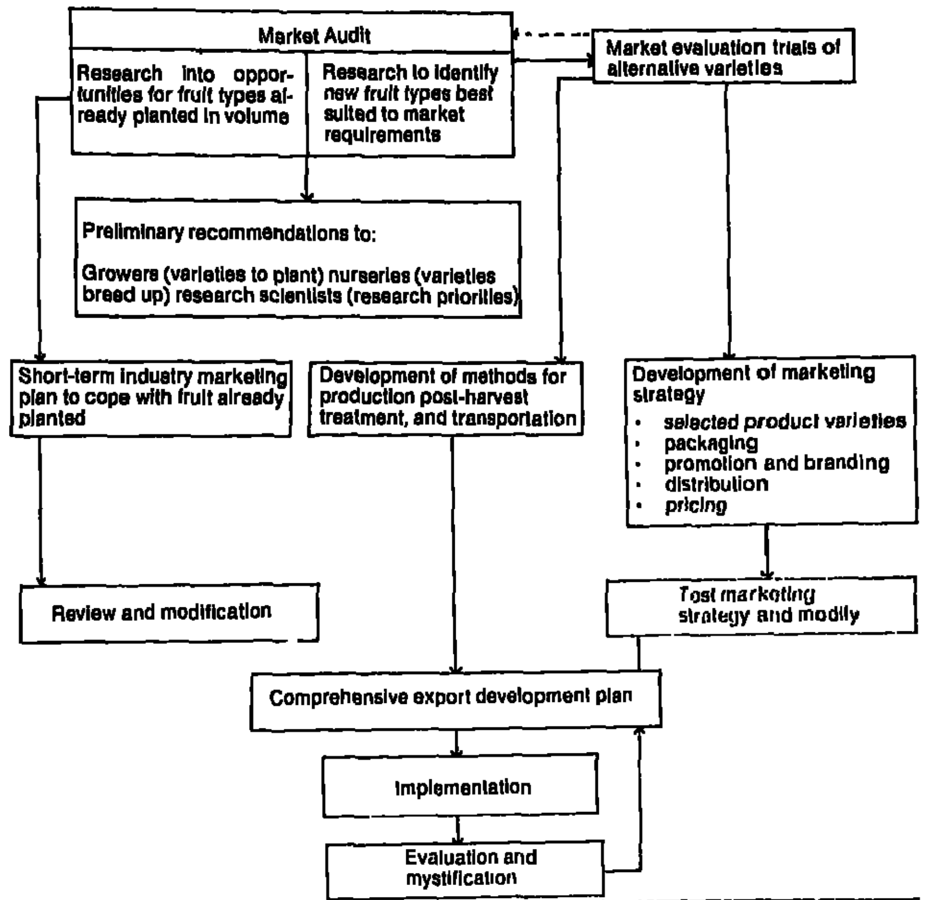
The problem is that product volume will increase in a way that will bear no relation to the *market opportunities that* exist at the time.

There is a clear danger that prices will be depressed well below growers' expectations, and New Zealand's reputation as a responsible horticultural exporter will be damaged.

There is also a strong chance that future market development prospects will be jeopardised because consumers will find that the product itself is *inferior. This is likely to happen* with feijoas because growers have forged ahead and planted inferior varieties, rather than waited for development of varieties more attractive to consumers.

The industry must cope with these problems as well as ensuring that the mistakes are not repeated. And it is encouraging that it has accepted that these tasks will require careful *planning based on sound market* information and scientific research.

It would be sensible to develop a separate export development plan for each major product group. Examples of such groups *would be* berryfruit, subtropical fruit, cut flowers, and live plants.



The diagram shows a suggested sequence of steps to plan export development of subtropical fruit. The basic scheme for other products would be similar.

The sequence begins with a comprehensive market audit involving collation of market *information held by exporters,* as well as additional marketing research.

This leads to a three-pronged effort:

- Provision of preliminary *recommendations* to growers, nurseries, and research scientists;
- *Preparation of a short-term* industry marketing plan to cope with the increased volume of *fruit* that will inevitably be produced as a result of misguided planting;
- Initiation of development of a comprehensive plan for long-term export development.

This sort of planning effort would be wasted — or might never get off the ground — unless those individuals and *organisations that are involved* with the product group are prepared to co-operate in devising their development plan and to co-ordinate their activity to the extent called for by the plan.

One way of achieving this is *to set up a statutory marketing* board. The performance of the Apple and Pear Marketing Board shows that this is a viable alternative.

But, it is likely that other structures can perform as well, while maintaining a substantial element of free enterprise.

The structure evolved by the *avocado industry in* Southern California deserves close attention. It consists of a highly effective blend of free enterprise and statutory co-ordination.

Private companies and co-operatives produce, pack, ship, sell, and distribute. Product research, quality standards, *marketing research* and promotion are managed by a co-ordinating body.

This body has a strongly commercial orientation and receives its operating funds from a statutory levy on the revenue earned by avocados.

The New Zealand kiwifruit industry is evolving in a similar way, *although it appears to have* a stronger regulatory orientation.

Discussions aimed at establishing planning and co-ordinating bodies are now under way, with encouragment from the Horticultural Export Development Committee.

The industry has a lot of sorting out to do before it will be ready to realise its export potential. But it has taken promising steps in the right direction — its marketing act is taking shape at last.

Wayne Cartwright is Professor of Marketing at Massey University.

Undermining arbitration

MINISTER of Labour Jim Bolger takes issue (*NBR* June 2) with the statement by the Insurance Workers Union secretary, Mr Graham Ogilvie (*NBR* May 5) that the Government provides a disincentive to unions to use the Arbitration Court by not supplying it with adequate resources.

The Minister contends that Mr Ogilvie's experiences are of a "very particular nature" and exhorts unions towards a stronger commitment to use the arbitration system, albeit at a time when the National Government's own actions have done more to undermine the system than any other single thing.

I consider that in the view of most unionists who also use the Arbitration Court, Mr Ogilvie's experiences, far from being of a very particular nature, would be the norm whether or not the Court is operating at full capacity.

Indeed, many trade unionists would assert that our arbitration system is simply not geared to meet the needs of a modern industrial society. By this I do not intend to imply criticism of the members of the Court, who are no doubt doing their best in operating under what is basically a nineteenth century model.

Mr Bolger goes on to contend that in 1978 the resources available to the arbitration system were considerably expanded.

Apart from the fact that many – both employers and unions – saw the setting of the "new" Arbitration Court as a bloody great leap backwards (the reasons for which were never clearly explained either at the time or since) the simple fact of the matter is that this considerable expansion involved merely exchanging two institutions (industrial court and commission) for two others (the Arbitration Court sitting in two divisions).

In other areas this considerable expansion of resources seems to be a matter of opinion. For example in 1979 after the Federation of Labour had lodged its application for a minimum living wage, the date of hearing had to be delayed, apparently because adequate secretarial services were not available to the then Chief Judge, who was supposed to be presiding over the hearing (that is, until the Prime Minister commandeered television time to announce the court was not the "appropriate" body to hear the case and the Government subsequently revoked the General Wage Orders Act).

If the Minister is really concerned at ensuring a workable arbitration system then there are two steps I suggest he could take:

First: instead of alleging criticisms of the system are of a "very particular nature" he gets an independent survey carried out of the views of the users of the arbitration system (perhaps *NBR* would oblige).

Second: that a full public inquiry be held as to the adequacy and relevance of our conciliation and arbitration system to the needs of a rapidly changing industrial society.

After these steps we might then begin to develop a system that justifies a commitment by trade unions.

Rod Trott
Industrial Officer
Trade Union Research and Consultancy

Meat needs ingredients

YOUR edition of June 2 carried an article headed: "Meat industry delicensing threatens farmers" which was the written view of the general manager of Gear Meat Company, Barney Sundstrum.

Mr Sundstrum conveyed an attitude that can only be described as one fearful of competition, innovation and good old-fashioned enterprise by investors.

All these ingredients are desperately required in the country and none more so than in the meat industry.

If employment opportunities were the only criteria, they would still be the first requirements.

Therefore Mr Sundstrum's over-sensitive reaction to those who might have the enterprise and initiative to construct and operate new killing facilities without the costly humbug of unnecessary restrictive legislation should be rubbished.

No investor with any brains would build new works just for the sake of owning one. They would need to be well satisfied there was a genuine demand for the services that are provided and that they could provide that service to farmers at a competitive price. Surely in these circumstances the existing companies have an inbuilt advantage unless they have been rather careless in questions of good management.

In his enthusiasm to protect the *status quo*, Mr Sundstrum extravagantly and without evidence concludes that new works will abound and the farmers will pay the cost.

That's all absolute bunkum unless there are unconcealed fortunes in processing meat. The Gear Meat Company's accounts associated with the Petone works should provide the necessary disciplines on hasty investors itching to make a fortune.

In Southland, the directors of the Alliance Freezing Co have provided a classic example of what can happen to capital invested in a new works. It simply cannot be serviced by other than peanut dividends.

The Alliance Co has an up-to-date works with an insurable value close to $100 million. That means it could well take that kind of capital to build the same on today's costs which are increasing rapidly. The Alliance directors wishing to purchase the same for a full co-operative venture valued the works at $10 million.

Surely Mr Sundstrum can see that is sufficient discipline on foolish investors without unnecessary restrictive legislation which only adds tremendously to the costs of those who see a need and can provide for it.

Who better to make the judgment on investment? Surely the responsibility should reside with those who put the money up, not some legislated for authority. Only those frightened of their own capacity to meet competition from investment and those who love being controlled by the Government so that responsibility can be avoided will oppose the delicensing measure at present contained in a Bill.

The Bill should also do away entirely with the Meat Industry Authority and the pretence associated with the so-called "open door" policy. The "open door" concept has never worked, nor can it. There are far too many practical difficulties, competition amongst the processing works will ensure best the farmers' wishes in marketing are met.

In his despair about delicensing Mr Sundstrum seems all worked up about the Government's new-found love for private enterprise. He should not over worry about this factor for there is no MP in that Government who would make an apology for a genuine private enterpriser. However I earnestly hope they have the courage of their convictions in dealing with a very limited measure, but one vital for the meat industry.

Aubrey Begg
Drummond

Allaying lies on dog control

"WITHOUT word of a lie" (*NBR*, June 2 1980) has provided incorrect information about the Auckland City Council's 1979/80 accounts.

As ratepayers will learn when the accounts are published, the figures quoted in your newspaper are incorrect. I concede that in providing the dog control services to the high standard required by city residents it is not possible to avoid a deficit without imposing an unrealistically high dog registration fee.

This approach could, however, be self-defeating because of the likelihood of more dog owners being encouraged to evade their obligations, thereby increasing the cost of controlling the dog problem.

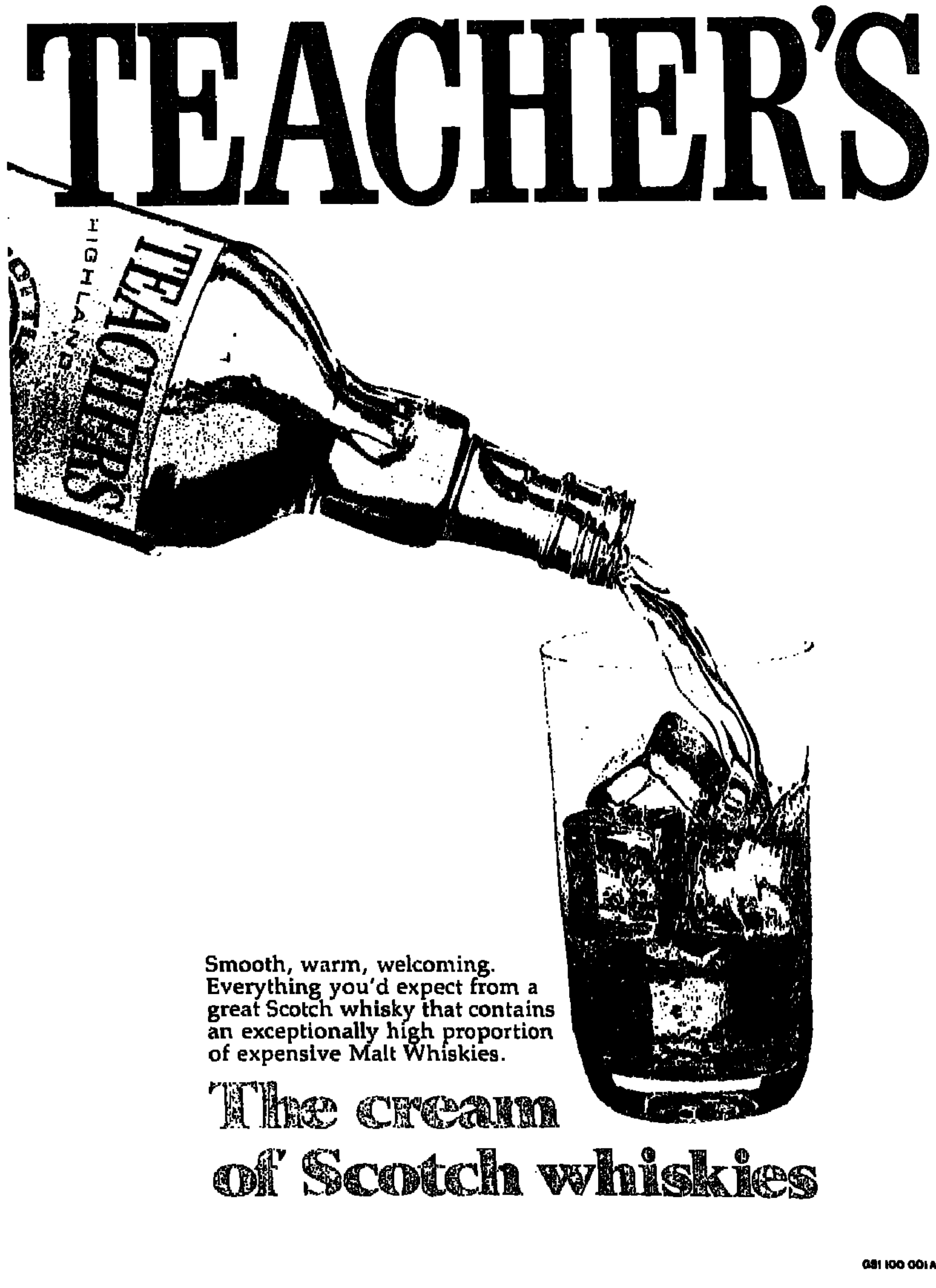
The cost of dog control in the 1979/80 financial year was $153,383. Receipts total $113,532.

The cost of traffic enforcement for 1979/80 was $1,920,810 and receipts totalled $2,140,936.

I am disappointed that your columnist does not appreciate that the council's parking policy is aimed at discouraging the commuter or long term parker who wants to monopolise kerb space to the detriment of motorists wishing to conduct business in the central area.

There is no doubt that those who disregard parking restrictions for the purpose of storing their cars on the street are vociferous in their criticism of the rationing system enforcement, but thoughtful motorists appreciate the fact the enforcement encourages parking turnover to the benefit of the majority.

Cr H Goodman
Chairman – Traffic and Road Safety Committee
Auckland City Council



Export incentive clashes with rich man's code

by John Draper

THE Government's export incentive scheme announced in last year's Budget and introduced on April 1 contravenes the revised General Agreement on Tariffs and Trade signed in Geneva last year.

Direct incentives to promote exports are now outlawed by those countries signing the Code on Subsidies and Countervailing Duties.

The United States has already told those countries reluctant to sign, that existing legislation enabling the imposition of countervailing duties will continue to be used against their exports.

New Zealand, along with Australia, Canada and a few other nations whose prime exports are agricultural products, are unlikely to sign.

The code is directly opposed to New Zealand's interests, highlighting the unresolved dispute between the industrialised nations and agricultural produce exporters that dogged the prolonged "Tokyo round" of GATT negotiations.

The code demands that "signatories shall not grant export subsidies on products other than certain primary products".

In its simplest form, the code means the European Common Market can continue to give huge export rebates to demolish its butter mountain by effectively dumping supplies on the world market, while New Zealand's manufactured products are supposed to compete without subsidy.

The code seeks to eliminate the harmful effects of export subsidies on trade and production while at the same time recognising that subsidies are used by governments to promote important objectives of national policy.

Examples of subsidies outlawed by the code include those dependent on export performance, as New Zealand's scheme does.

The code regards as taboo other export subsidies such as: dual exchange rates effectively giving exporters a bonus; subsidised inputs and services including electricity, tax or social welfare payment rebates dependent on export performance; subsidised freight rates; and special export credit or guarantee schemes.

But the code recognises that such subsidies can give exporters an advantage over domestic manufacturers in another nation and can even effectively nullify the overall provisions of the GATT.

"Signatories shall therefore seek to avoid causing such effects through the use of subsidies," the draft code reads.

There are safeguards. Any signatory has to prove injury from subsidised imports. Disputes unresolved bi-laterally can be taken to a GATT conciliation committee.

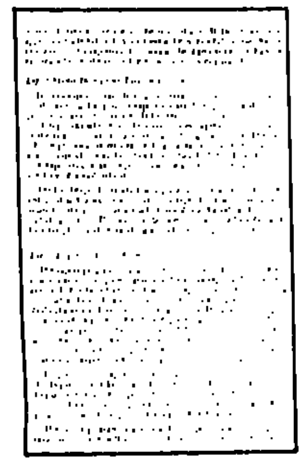
And to have any measure of success, the country claiming injury, must show that the volume of subsidised imports is large enough to have a marked effect on domestic prices with a consequent impact on domestic producers.

There is an out for developing countries, a status not applicable to New Zealand.

New Zealand has few, if any, exports other than primary produce (which are exempt) dominating individual or world markets.

The United States is keen for New Zealand and other reluctant nations to sign the code. So far it has only been initialled by the major industrial nations, those the code will benefit most.

In essence, the GATT has always been a rich man's agreement drawn up by the industrialised nations for their own benefit.



Budget offer . . contravenes GATT

In the Tokyo round, the other nations did get some concessions but in the overall atmosphere of trade restrictions, the gains were minor.

Beef exporters now have the security of guaranteed minimum quotas to the United States, Canada, the EEC and to some degree, from Japan.

Tariffs on beef were reduced by a third by the United States and Canada while tariffs on beef offal were cut by the EEC and Japan.

A cheese quota to the EEC was restored but only at a token 9500 tonnes while the United States agreed to double its quota to 17,442, most of which New Zealand had been supplying anyway because of a shortfall by other suppliers.

The United States also agreed to reduce tariffs on a range of wool items including wool and carpet yarns. Canada, the EEC and Japan made similar concessions.

In return, New Zealand responded with several tariff cuts: rice, fruits, tobacco, tools, machinery and photographic material to the USA; timber and pork to Canada; fruits, vegetables and licensing offers on beer – which the Australians have been quick to take advantage of; champagne and vegetable oils to the EEC.

There are two other codes New Zealand has yet to sign, the first relating to Government procurement and the other on Customs valuation. Neither comes to effect until January 1, 1981.

Customs officials are now evaluating a changed valuation base for New Zealand imports which are at present calculated on a current domestic value – usually ex-factory – basis.

The code gives the option of valuing imports either at free on board (fob) prices or cost, insurance, freight (cif).

Both systems may need a downward adjustment of tariffs to maintain wholesale prices at current levels.

American unemployment

THE United States unemployment rate shot up to 7.8 per cent in May, the highest in 3½ years, and a further indication of deepening recession.

It was the second month in a row that the unemployment rate had jumped 0.8 per cent, the largest two-month increase since the United States Government began compiling employment data.

During all of last year the unemployment rate had stayed between 5.7 and 5.9 per cent. But, Janet Norwood, Commissioner of the US Bureau of Labour Statistics, told the Congressional Joint Economic Committee on release of the figures that since the current recession began in January, the number of jobless workers has increased by more than 1.7 million.

Lignite flickers ray of hope for post-Maui days

THE bright light for New Zealand's energy needs in the post-*Maui* days – Mataura valley lignite – is already flickering.

Coal researchers and experts are saying that politicians have been far too *optimistic in their* talk about the self-sufficiency potential of the vast lignite reserves lying under mostly prime farming land in Eastern *and Southern Southland.*

They say a lot more research is called for before any estimates of the total reserves can be confirmed. Further study is also needed before it can be said that the reserves are suitable for conversion to liquid fuels.

For his part, Energy *Minister* Bill Birch has denied misleading the country into believing there is much more lignite in Southland than can be *recovered using present mining* methods and technology.

He said it had always been recognised that further study and research would be *necessary to prove deposits and* assess costs, and those studies were under way.

But a second major survey of the resources, costing about $500,000 and expected to begin this month, has been postponed because Cabinet has yet to approve the expenditure.

Doubts about the optimism being expressed arose at a recent seminar in Wellington.

Research workers, coa. producers, users and Government officials then discussed the need to investigate all aspects of coal, from exploration through to use.

Birch opened the workshop at which clear differences of opinion emerged.

"Of particular importance is the question of reserves," said *the New Zealand Energy* Research and Development Committee.

"Geologists from the New Zealand Geological Survey stated that although there could be as much as 10,000 million tonnes of *lignite in the ground* in Southland and Otago, at the moment only 10 million tonnes can be classified as reserves which could be mined.

"*This is because, generally,* the lignite is in comparatively thin seams, often in very wet ground. There is a real need to carry out much more detailed studies of the coal in the ground and the methods which could be used to extract it at a competitive price."

There was another difference of opinion about conventional uses for coal in boilers and for heating, and its use for *the production of transport* fuels.

"While there was an interest in liquefaction, particularly among chemists and chemical *engineers, it was generally* agreed that conventional uses of coal should now be strongly supported as they offer to current users of oil the potential to switch to coal," the ERDC said.

Many participants had considerable difficulty in seeing how coal fitted into the country's overall energy strategy in the light of the great commitment to Maui natural gas.

But Birch pointed out that projects under way in New Zealand would make New Zealand only 50 per cent sufficient in transport fuels, and he clearly saw coal as having the potential to supply additional indigenous transport fuel.

Politicians from Prime Minister Rob Muldoon down *have visited the Mataura fields* recently, and have come away making optimistic statements.

The total indicated and inferred lignite reserves from six *deposits in Eastern Southland* are 4424 million tonnes. The Waimumu and Croydon deposits, of 169 million and 185 million tonnes respectively, are considered the most attractive.


Bill Birch . . . coal for transport fuel

Reports from respected groups have helped boost the *political* optimism.

Otago University's business development centre has written a report for the Southland Regional Development Council, *which says the most likely* use of the lignite is in a petro-chemical plant.

Maui gas was easiest to adapt to liquid fuel production, the study said, and would last up to 30 years, depending on the rate of use.

"It therefore seems more probable that initially, the main use for Southland and Otago lignites will be as feedstock for a petro-chemical plant producing chemicals, plastics fertilisers and so on.

"It could also supplement the production of liquid fuels and oils during the first 20 years of production – ultimately taking over the production of liquid fuels when the gas runs out," the study said.

Such a plant would cost $100 *million at the time the study* was completed and would consume 10 to 20 million tonnes a year to be viable. It would employ 1000 people and based *on that consumption,* the lignite fields would last 150 years.

Environmental problems aside – and there would be plenty of them, if, as envisaged, large bucketwheel excavators were used, each capable of handling *240,000* cubic metres a day – experts have now pinpointed other matters of concern.

A senior lecturer in geology at Canterbury University, Dr D W Lewis, was reported in the *Christchurch Press* as saying: "At present and in the foreseeable future, the cost of production is too high."

More caution was required than politicians had shown to date, he said, and even if all *information* was now available, mining could not start for at least another 10 years. Special equipment would have to be ordered to tackle the job.

Other experts – some in the Ministry of Energy – have supported Dr Lewis' *statements*, and a chemical engineer at Canterbury University, Dr N J Peet has *pointed* out that removing the high water content in the coal could *require more* energy than would be gained from the lignite itself.

The views of those at the seminar have supported what a *small* group of Southland-based geologists and coal experts have said all along – that the Mataura lignite fields are simply a potential resource *with* many problems to be overcome.

But, in the euphoria after a first survey of coalfields revealed the inferred reserves *of more than* 4400 million tonnes, their pleas for caution were lost.

Approval for the second survey is expected soon, and *more will have to follow before* any detailed estimate of reserves could be made.

Enthusiasts need the mind of simpering jellyfish

by Brian Turner

WHAT is sport? Think about it and you may agree that the question is harder to answer today than for a very long time. *Dictionary* definitions from the *Concise Oxford* give "amusement, diversion, fun".

But what place do such things have in today's sporting *world?* I would say too little, and yet, to say that they once were present in gratifying abundance is to simplify the issue, and to recline in the nostalgic arch of how we fondly like to remember the sporting world to have been, rather than to be honest about *the way it* really was.

I was bought up to believe that as long as sport was an amateur pastime it was beyond criticism, beyond *reproach.* Anything done in the name of amateur sport was just wonderful and all who so participated would be guaranteed a place in the flannelled or booted halls of hereafter.

The game, above all else, was the thing. But it didn't stop people hitting, abusing, cheating cursing and elbowing me or appealing when they knew people weren't out.

The taking part, the spirit of *the game was everything.* Professionals were dour and unimaginative and amateurs were fleet and bubbling with inventiveness, were sweetness and light.

Rubbish. Nevertheless these lies kept me going for a few years into my teens before the penny dropped and I realised it was crazy to embrace such preferred visions; with all the abstractions and generalities that went with them.

I began to understand that all one could do was deal with other sportspeople on an *individual basis* and treat them as I found them. Some played fair and one admired them, others were cheats and ever more would be so. And one despised *them.*

People should look more to the amusement and fun to be had from sport, and less to censure and scolding.

One of the big differences between sport of recent times is that politicians, a gullible public, and some of the more conservative and self-righteous administrators are making unreasonable and unfair vindictive demands on the man and women participants in sport.

To stay sane today and to remain undeterred by the hypocritic political shennanigans being practised, a sports*person needs the mind of a* simpering jellyfish and the strength and resolve of an elephant. And it doesn't make things any easier when your own legendary predecessors get in on the act and sniffily accuse you of picking and choosing, being disloyal and lowering the value and pride to be had from wearing the All Black jersey, blah, blah, blah.

I am referring to Colin Meads ticking off Graham *Mourie for not being available* for the Australian tour. Meads is impertinent. I do not know all of Mourie's reasons for staying at home but he has every right to do so. When wearing the All Black jersey Mourie has given his all and some for his team. No one could have given more.

Rugby tours come thick and fast these days as it and other sports have all, and to their and *our detriment, become sucked* into the personal whirl of intense international competition. Internationals meant more when they were less frequent; just as provincial representative sport *meant* more to both participants and spectators when there were fewer games.

And as for international *competition being so essential* to top class performance, how come the Springboks managed to beat the Lions in the first two test matches in South Africa?

I began by saying that sport was not always as we often prefer to think it was. Let us take dirty play and cheating and run back down the years.

In 1956 I was 12-years-old. One raw Saturday, when snow lay on the hills around the city and stinging showers of rain and sleet blew in from the southwest, I sat with other spindly boys on the terrace touchline at Carisbrook. Out came the Springboks and the All Blacks. The distinctly in*toxicated crowd, many* of whom had camped outside the ground overnight (days of yore indeed) set up a din, and we kids added our shrill imitative cries.

During the match one South African back was carted off with a broken leg: Butch Lochner was set up by a Jarden up-and-under and unmercifully *flattened by Ross Brown.* Tiny White and one other and Mark Irwin had his ribs damaged badly in a lineout immediately in front of us.

I'm not sure, but I don't think replacements were allowed then, a piece of mangling idiocy if ever there was one. I watched the clashing with *open-mouthed horror and* saw the wisdom in having taken up hockey, a game for the slightly less insane.

Foul play is no worse today and we don't really want to see all the stoush and chopping *removed from the game.* If we did, a spate of orderings-off would get rid of most of it in less than a season.

Cheating is harder to stamp out. About the only thing to be done there is for coaches to exclude such people from con*sideration and let them know* why. The trouble is cheats are easier to take when they're on your side. That's why they get away with it.

I have to confess that having reached the grand old age of 36, I don't get so excited about such things as international competition, Ranfurly Shields, medal tables, and so on, any more. I am happy to run 10 kilometres over bush tracks or beside the sea – *when tendons allow* – and leave the juvenile obsessiveness to those adolescents between 12 and the hereafter, who are still gripped by such things.

My advice to any keen, ambitious young sportsman or woman is to shut up and do the best you can. Treat your critics – especially journalists who don't know the difference between fact and opinion – *with seraphic disdain:* give straight honest answers to sensible questions and regard most politicians with contempt. Make your own decisions on the basis of what you believe to be morally just in a sporting sense.

And if there's no amusement or fun in it, any more, give it up.


Rugby . . . whirl of competition.

June 30, 1980 National Business Review Page 27
Resource development

Public speculates while waiting for a factual Govt response to the smelter economic disaster report

WHAT ever happened to Professor van Moeseke's economic report on aluminium smelters? The one that, despite suggesting a smelter would be an economic disaster, has drawn *a nil factual response from* Government.

The simple answer is very little, and people waiting for a response have been left wondering if the silence doesn't mean the drastic conclusions evident in the report are correct.

Since the study was first published in April, however, a considerable amount of information has been added to the issue that could *point the way* for New Zealand to take.

A central issue in the van Moeseke report is the economic stupidity of selling electricity at *below the real marginal cost* (which he claims is 2.56c, a figure since substantiated in a number of ways).

Recent international developments in the aluminium industry show many countries are becoming intolerant of electricity subsidies for smelters.

In North-west America the Bonneville Power Administration, which controls a major hydro-basin feeding one third of the American aluminium industry, has refused to renew cheap power contracts for all *major producers.*

At Rheinfelden in West Germany the Alusuisse smelter has run into severe difficulties because the power company is *refusing to provide electricity* at a cheaper rate than the rest of its customers. And the Guiline smelter in Germany has gone bankrupt for similar reasons.

In *Britain* Anglesey Aluminium has shelved expansion plans following the failure of the company to negotiate a power price with the *Government, a price reported* to involve a subsidy in the order of $460 million.

In Norway the Norsk hydro has dropped plans for a major smelter at Glomfjord as well as extensions to the Karmoy smelter because of high hydropower construction and production costs.

In India the Belco smelter's plans for expansion are threatened by power problems that have already caused serious disruptions to the smelter.

In Australia, where the real cost of power is a relatively cheap 1.4 c a unit, many states are selling power below the real cost and entirely lack the ability *to negotiate* with the multinationals according to a recent *Metal Bulletin* article.

And the power price prob*lems are not* the *only* ones affecting the industry.

In Japan, new environmental pressures along with energy costs are forcing the industry to relocate abroad.

In Spain the huge San Ciprian smelter is being held at 0.1 of its planned capacity while the Ministry of Industry examines fluoride emmission problems.

Closer to home the *Fletcher*-CSR-Alusuisse proposal claims demand for aluminium will be so great during the 1980s that three new 200,000 tonne smelters will *have to be commissioned in the* Western world every year.

The common denominator could well be a gold mine for New Zealand; the benefits of a *smelter* along with a handsome profit from electricity sold, not at a loss but at a profit.

In short, the aluminium in-

Lance Adams-Schneider ... holds back figure

dustry internationally is running out of sites, let alone sites favoured with cheap power contracts, a labour force and political stability.

Thus at this stage a long-term cheap power contract (the Fletcher consortium wants a 22.5 years contract renewable for 20 years) could be something soon regretted.

The consortium's proposal, leaked to news sources recently, has created a small opening in Government silence which allows closer examination of the van *Moeseke* report.

In his report van Moeseke claimed it would cost $2.1 million for every direct job created ($1.25 million of hydro capital costs are not included).

Prime Minister Rob Muldoon and *Trade and Industry* Minister Lance Adams-Schneider rubbished the figure and said it would cost $600,000 a job. Regional Development *Minister Warren Cooper said* he could get it down to $500,000 and implored people to trust the Government.

The consortium puts the figure at $1.24 million a job (exclusive of hydro costs), or $84,210 in 1980 terms.

In his report van Moeseke said the capital outlay per ton capacity would be $3333. And he has since said the new Reynolds smelter at Isabela, Philippines, is projecting $5714 per ton.

Adams-Schneider wouldn't give a figure, but claimed it was "considerably less".

The consortium puts it at $5900 or $3250 in 1980 terms.

Adams-Schneider said van Moeseke made errors in raw material and manufacturing costs and quantities, but he did not specify them.

Van Moeseke said it would take two tons of alumina to produce one ton of aluminium The consortium puts it at 1.93 tonnes of alumina.

Van Moeseke said it would take 0.5 ton of petroleum coke per ton of aluminium produced. The consortium puts it at 0.65 of a tonne, or 0.45 with *recovered* material.

Adams-Schneider said the size of smelter proposals before the Government ranged from 140,000 tonnes to 200,000 tonnes, not the 300,000 tonnes van Moeseke used in his study.

The consortium proposes a 300,000 tonne smelter, *with the* final 100,000 tonne pot dependent on power price and availability.

Adams-Schneider said it would take *15,000 kWh of* electricity per tonne of aluminium, not 17,000 as van Moeseke assumed.

Van Moeseke said his figures were true late 1979 and efficiencies since gained were at correspondingly higher capital costs.

The consortium puts the figure at 14,750 kWh per tonne.

These comparisons are inconclusive despite appearances. Figures from 1979, 1980 and actual costs are mingled as are ton and tonnes. And while Government spokesmen claim their figures come *from actual* proposals that does not necessarily mean the Fletcher proposal.

But at the very least they do nothing to dispel the econ*omically disquietening conclu*sions of van Moeseke's report and the silent support that has followed.

Since the report Treasury has "redone" *the figures fol*lowing van Moeseke's methodology and managed to turn a trade deficit into an economically viable position.

Van Moeseke has *access to* the Treasury figures but refuses to release them. But he is prepared to discuss major points of disagreement.

One area in which Treasury has improved the apparent position is to retain van Moeseke's producer price for alumina but replace his producer price for *aluminium with the London* Metals Exchange world price.

This has the effect of inflating the export value of aluminium while retaining the lowest *rate for imported* alumina, thus artificially improving the trade efficiency.

Treasury has also improved the economics of the position *by changing* van Moeseke's charge for electricity.

"The most important thing is no economist would agree to value electricity at only a fraction of its real marginal cost.

"This is an elementary mistake in basic economic theory which I can do nothing about," van Moeseke said.

Treasury also "hugely undervalues the capital cost per tonne of aluminium produced", van Moeseke said.

Van Moeseke used $3333 per tonne, to be compared to the consortium's 1980 figure of $3259, so there is not much room for Treasury's manoeuvering.

Since his *initial report* van Moeseke has received evidence dispelling the Government claim that secondary industry cannot be treated as a separate economic issue because of advantages gained from siting the two together.

"Kaiser's *Trentwood* (Spokane Valley, Washington State) rolling mill of 200,000 tonnes annual capacity is largely integrated with the nearby smelter *at Mead*. Energy savings derived from molten metal deliveries average out at about 150 million units annually, or less than 5 per cent of the primary energy requirements."

"They are not going to come here to save 5 per cent when they *lose about 30 per cent on* transport alone," van Moeseke said.

Van Moeseke has also recently received a report by Amalgamated Metal Corporation of London (done in December last year) which shows production costs for typical new smelters responsible for their own hydropower have increased in North America and Western Europe by about 64 per cent since 1976. *Small wonder they are looking* for overseas sites.

Further confirmation of his figures comes in the projected net export figure for the Gladstone Aluminium smelter. The Australian net foreign earnings figure is $78.6 million compared to van *Moeseke's* $72.2 million for New Zealand, with the difference explained in cheaper costs in Australia.

So where does this leave the *state of the art? Still largely in a* state of flux.

But the Fletcher consortium's proposal suggests the Government and all interested parties will have to place their cards on the table alongside van Moeseke.

Fletchers expects the provisions of the fast-track National Development Act will be invoked if a smelter gets the go-ahead.

And that means the issue will have to be established before the tribunal as in the national economic interest. The ensuing debate should settle once and for all whether an aluminium smelter is in New Zealand's present interests

Aluminium industry . . . begins running out of sites

No changes in US policy

PRESIDENT Carter's chief economic advisers say there will be no change in current economic policy simply because *recently* released economic indicators show worsening unemployment and an improved inflation outlook.

Treasury secretary G William Miller and Charles Schultze, chairman of the President's Council of Economic Advisers, said the new indicators are "transient" – part of a process in which the economy has reacted in a downward way faster than any*one expected.*

"We do not know the path of the economic from here. Until we have that in mind, we do not intend to flinch and change our elves in courses." Miller said

Miller said that two factors were forming the base for recovery of economic activity in the United States. One has the sharp decline in interest rates, the other was the slowing of inflation.

"We need to see further declines in mortgage interest rates in order to see housing pick up and we need to see the prime *rate come down further to help* small business and agriculture," Miller said.

Industrial output takes dive in all major sectors

INDUSTRIAL production in the United States fell by an estimated 2.1 per cent in May – a drop that further confirms that the United States is in a recession.

This was the fourth consecutive monthly decline in production, and follows a 2 per cent drop in April. The industrial production index is now 4.7 per cent lower than it was in January.

Reductions in industrial output occurred in all major sectors and were particularly sizeable for automotive products, home goods, construction supplies and durable goods materials.

The May decline was the biggest one-month drop in the index since the 1974-75 recession.

Other economic indicators have signalled the recession.

The Commerce Department recently reported that American businesses plan to increase their capital spending in real terms – after compensation for inflation – only about 1 per cent in 1980. Real capital spending rose about 6 per cent in 1979.

In addition, retail sales fell in May for the fourth consecutive month, and manufacturing and trade inventories rose 1.3 per cent in April – the largest rise in almost a year.

Inventories had risen 0.9 per cent the month before.

The increase in inventories, if it continues in later months, might be a sign that the recession will be deeper than expected.

When inventories rise to unwanted levels, firms typically cut back production until the levels drop. A rise in inventories and a subsequent cutback in production was a major factor in the 1974-75 recession in the United States.

There was strong evidence that the Carter Administration's anti-inflation efforts were having an impact, according to one Government report. But it warned that "serious underlying inflationary pressures in the economy still remain widespread and may be difficult to reverse".

In its latest report on inflation trends, the President's Council on Wage and Price Stability said the dramatic deceleration of both wage and price inflation in April and May, combined with other economic data, "seems to indicate that the economic actions outlined by the President in his March 14 announcement have dampened inflationary expectations".

The March programme included budget cutbacks and controls on bank and consumer credit.

Consumer price inflation fell from an 18 per cent annual rate in the first quarter of 1980 to 11 per cent in April.

Although food prices are likely to increase more rapidly during the rest of 1980, the council reported that falling interest rates and a softening of the petroleum market – barring untoward political developments in the Middle East – indicate continued declaration in inflation rates in coming months".

On the other hand, the report noted, the "underlying rate of inflation" appears to have risen to doube-digit or near-double-digit levels.

The "underlying rate" measures consumer prices less the costs of home purchase, finance, taxes and insurance, food, energy and used cars.

"Although slack labour and product markets are likely to prevent further acceleration of the underlying rate," according to the council, "upward pressure on wages caused by recent increases in the cost of living, along with continued slow growth of labour productivity, is likely to prevent rapid reduction of the underlying rate."

President Carter has given an emphatic "no" to the idea of massive tax cuts to counter the recession, as proposed by presidential hopeful Ronald Regan and Republican leaders in Congress. He calls that approach "political double talk and ideological nonsense."

At the same time, Carter told a meeting of the nation's mayors on June 10 that he would take additional steps to alleviate difficulties caused by the deepening recession if unemployment worsened.

But this would not be done at the expense of refuelling inflation and compromising fiscal discipline in the federal budget, he said.

Despite growing political pressure within Congress for tax reductions, the President has repeatedly sought to avoid action in this area until Congress comes forth with a Federal budget that the Administration feels demonstrates spending restraint and is non-inflationary.

Secretary of Commerce Philip Klutznick said on June 10, Carter's economic advisers were considering "a number of alternatives" that would extend tax relief to the American people "at an appropriate time."

"We've not said that nothing in this area is being considered," he said.

"We've said for some time that we would not put a programme for tax relief into effect until the Federal budget is under control."

The centerpiece of Republican Congressional proposals is a three-year, 30 per cent across-the-board cut in individual income taxes.

The Carter Administration and many private economists say a tax reduction of that kind would be inflationary.

But many economists advocate some sort of tax [illegible] that would include [illegible] promote business investment. For example, [illegible] Chimerine, chairman and economist of Chase [illegible] trics, say that "accelerated depreciation" – faster write-offs for capital goods – [illegible] make the United States competitive relative to other industrial countries.

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Business community leans on tourism

by Jill Nicholas

THEY call their town the tourist capital of New Zealand.

But pull the plug on tourism, and commercial Rotorua would vanish down its own thermal orifice.

Apathy has long been the trade-mark of sulphur city businessmen.

The reason, their critics say, is that they've had it too good for too long.

In a town where profitability traditionally has been there for the picking, there has never been any real need for traders to present a united business front.

Fifteen years ago they did form themselves into the Rotorua Progressive Businessmen's Association, but it didn't take long for the word "progressive" to be dropped from the title.

It was considered to be anachronistic.

Now in Rotorua's 100th year, the association has made a [illegible] contribution to the city's centennial celebrations.

It has gone into recess and there seems little chance of reviving it in the forseeable future.

Centennial year has not been a happy one for the association.

Only months after his election, association president [illegible] Steiner quit his post.

He had, he said, had a gutsful of apathy, stupidity and hypocrisy from association members.

A special general meeting called to discuss Steiner's resignation couldn't raise a quorum, and the acting chairman, Rotorua sportsgoods dealer [illegible] Mexted, castigated locals for their lack of interest in their [illegible].

Since then, matters have gone from bad to worse. Now Mexted has given up what has virtually been a lone battle to keep the association operative.

Its folding has come at an inopportune time for Rotorua. Centennial celebrations aside (the business community support for these has been markedly lack-lustre), the question of Saturday trading is very much to the fore in the city.

While neighbouring Taupo and Mt Maunganui open for business on Saturdays, most of downtown Rotorua turns its back on potential customers.

Shopkeepers tend to use the "wrath of the unions" argument to maintain the Saturday *status quo* and there are those who claim that pressure from chain stores (of which Rotorua has many) will continue to keep things this way for a long time to come.

Brian Barrett, who managed six Travel Lodges' in Australia and New Zealand before taking up his Rotorua Travel Lodge appointment three years ago, says he does not believe locals realise how important tourism is to them and their continuing existence.

He says that without Saturday trading and an organised approach to it, Rotorua will lose in five years what it has taken 100 to build.

These views are echoed by Gary Wood, president of the Rotorua Moteliers' Association.

Wood says that 96 per cent of all overseas tourists who come to New Zealand visit Rotorua. It is a continuing grumble from them that Rotorua closes down at the weekend.

They are frequently left wondering why they have come to the place and, he says, some tour operators are now deliberately avoiding Rotorua at weekends and inconvenient hours.

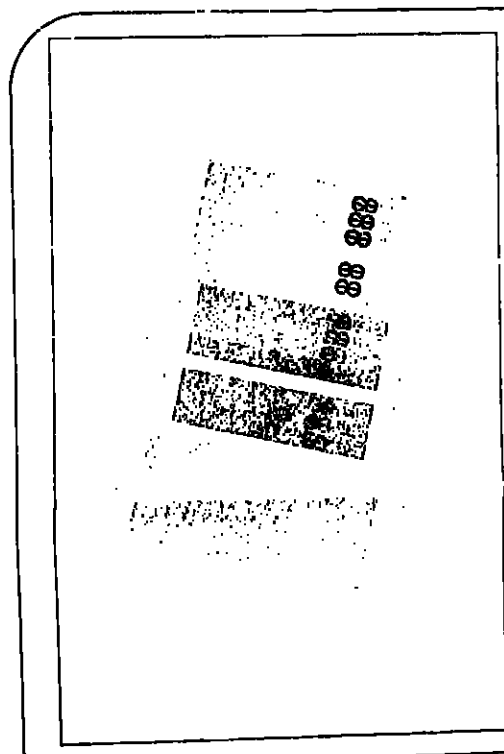
Wood sees the businessmens' association's failure to thrive as a national disaster. In his view, Rotorua is a city of fence-sitters – willing to criticise but too frightened to stand up and be counted.

Criticism of this kind is nothing new to Rotorua's business community. Nine years ago, a newspaper article dealing with a businessmens' association clash over late-night shopping said: "This splitting on an issue so straightforward reveals Rotorua for what it really is – a small place, with a small mind, where central city commerce dictates all".

Rotorua's businessmen are wont to boast how glad they are that little changes in their tourist goldmine.

Gary Wood . . . city closes at weekend.

Microfiche Retention and Retrieval System



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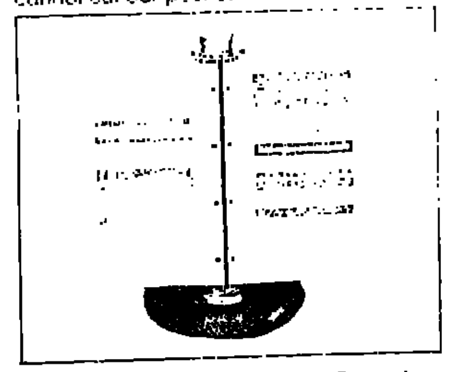
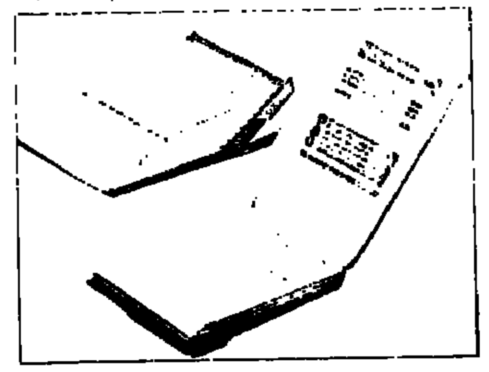
- Eichner panels are made of a durable plastic that is totally compatible with the composition of microfiche Our panels contain no harmful chemicals that could damage your fiches The sharp edges of the film cannot cut our pockets.



Rotary Stand

[illegible] 4,400 fiches and requires a minimum of space.



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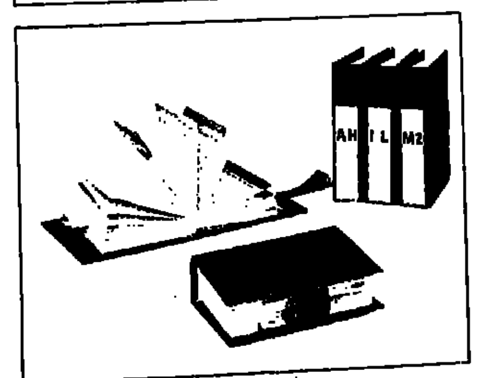

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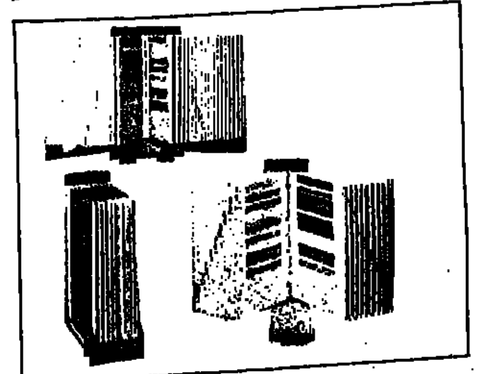

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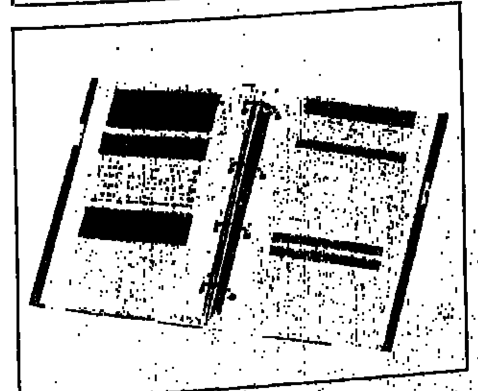

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Report raps knuckles but reprieves land court

by Jack Hodder

OUR predominantly English legal system is often seen at less than its best when in contact with the Maori population. For that reason alone the report of the Royal Commission on the Maori Land Courts – the only uniquely New Zealand legal institutions we have – deserves careful attention.

The report, released earlier this month, gives the Maori Land Courts a temporary reprieve and the Maori Affairs Department a sharp rap over the knuckles.

The Royal Commission consisted of Sir Thaddeus McCarthy, former President of the Court of Appeal and veteran chairman of Royal Commissions, W te R. Mete-Kingi, a Rata farmer, and M J Q Poole, a Dannevirke lawyer.

Its appointment in August 1978 virtually coincided with the presentation of the report of the Royal Commission on the Courts. It remains unclear why the terms of reference of the earlier Royal Commission, chaired by Mr Justice Beattie and including Professor I H Kawharu as a member, did not extend to the Maori Land Courts.

The Maori Land Courts comprise the Maori Land Court itself, with a Chief Judge (the position is currently vacant), five permanent judges and registries at Whangarei, Hamilton, Rotorua, Gisborne, Wanganui, Palmerston North and Christchurch, and the Maori Appellate Court, comprising three or more of the Maori Land Court judges. These courts are concerned with "Maori land" which has a complex statutory definition summarised in the report as land "which has never been alienated from Maoris and is still multiply owned, predominantly by Maoris"; such land represents 4.5 per cent of the total area of New Zealand.

The Maori Land Court was established in 1865 to bring the European purchase of Maori-owned land within an orderly system. It was the instrument by which a system of individual ownership of land was imposed on a Maori population which had always held land on a tribal and communal basis.

The present jurisdiction of the Maori Land Court includes:

- Confirming alienations of Maori freehold land by way of transfer;
- Vesting such land in trustees to facilitate its use, management or alienation;
- Granting exchange orders and orders for incorporation of Maori owners;
- Summoning meetings of assembled owners (if more than 10) to consider resolutions to sell or lease land and confirming or rejecting any such resolutions passed.

The themes and conclusions of the report may best be seen by quoting the major recommendations:

- "The Maori Land Court and the Maori Appellate Court should continue to operate without major changes in format and administration until the existence and ownership of Maori land are adequately recorded in the land transfer register. At that stage their judicial functions should be absorbed by the main courts and their administrative functions relating to land undertaken by the Department of Maori Affairs supplemented by such bodies as the Maori Land Board and the Maori Land Advisory Committees."
- "The administrative services to the Court should continue to be provided by the Department of Maori Affairs if the present administrative deficiencies can soon be remedied."

In favouring retention of the status quo the Royal Commission declined suggestions that the Maori Land Courts' jurisdiction might, on the one hand, be extended to criminal matters or re-extended to testamentary matters, or, on the other hand, be transferred to the Waitangi Tribunal or a new division of the district courts (this last suggestion was advanced by Professor Kawharu).

It noted that the possibility of special Maori community courts is under discussion in the Justice Department and suggested that greater sympathy and understanding of Maori ethos and difficulties could be given to the district courts by the appointment of more judges of Maori descent.

The crucial factor in the recommendation to retain the Maori Land Court was the finding of "severe disarray" in the records of ownership of and entitlement to Maori Land – "thousands of blocks of Maori land unsurveyed, records of ownership and succession incomplete, and a very large number of partitions and other orders of the court unregistered".

The Royal Commission considers that no body other than the Maori Land Court could do the complex work necessary to bring these records to a condition where they can be transferred to the general land transfer system; it estimated the task might take up to a decade (if the Government is prepared to commit the necessary resources).

The Maori Affairs Department, established originally to service the Maori Land Courts, comes in for sharp criticism in the report for failing to provide adequate administrative services to the courts.

It seems that doubts about the future of the court following the 1965 Prichard Report (recommendations of which formed the basis of the much criticised Maori Affairs Amendment Act 1967) resulted in poorer staffing of the courts' registries and benign neglect from head office. This caused massive problems in at least the Wanganui and Rotorua registries and a similarly massive breakdown in communications between judges and senior department officers.

Remedial measures instituted by the Maori Affairs Department within the past year are welcomed by the Royal Commission, indeed are regarded as one of the most valuable results of the inquiry, but the report gives clear warning that if that department does not shape up then responsibilities associated with the courts will have to be transferred to the Department of Justice.

The Maori Affairs Department also comes in for express or implied criticism for its initial lukewarm attitude toward the Royal Commission itself, for the introduction of a consolidating Maori Affairs Bill at the time that the Royal Commission was established (resulting in many bodies devoting their submissions to the Bill, not to the Royal Commission) and for the state of the Maori land records (including belated consideration of the use of computerisation).

The legal profession is likely to be happy with the report. As well as recommending an explicit right of appeal to the Court of Appeal, it recommends abolition of the rule that leave must be given by the Maori Land Courts for parties to be represented by lawyers, that the relevant legal aid provisions be reviewed and that reports of the more important decisions of the courts should be published in an appropriate series.

It also predicts that more work will be available for lawyers in this area with growth in large co-operative Maori business ventures and the extension of legal aid.

The Royal Commission describes its inquiry as having been at times frustrating; it regrets the absence of participation in the inquiry of urban dwellers (some 80 per cent of the Maori population), the young radicals and Maori members of the profession.

Parts of the report have a puzzled tone: the lack of enthusiasm of many for the inquiry itself; the lack of concern by Maoris at the state of the land records; and the preference of the wider definition of "Maori" – as one descended from a Maori – to that limiting the classification to those of half or more Maori blood (which doesn't make the recording of details of land tenure any easier).

The impression which emerges from the report is that the Royal Commission has trudged sturdily across the traditional Maori landscape, just conscious that a majority of those that call themselves Maori are now inhabitants of a different landscape.

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Import control removal threatens industry sectors

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

IF trade policy were to dictate the removal of quantitative import controls, some sectors of the plastics industry could be seriously affected, even to the point of a cessation of business, PINZ executive director Bruce Dunlop said.

He maintained that if protection was removed and the local industry destroyed by imports from low-labour-cost third world countries, the New Zealand consumer would not benefit in the long run.

"Those countries, or middle men, would seek to maximise prices," he said. "And of course the country would suffer, in that the industry with its contribution in terms of added value, taxation revenue and employment opportunities, would virtually cease to exist."

He said authorities had forecast an international plastics consumption growth rate of about 9 per cent and there was every reason to believe that the growth rate would be higher in New Zealand.

Dunlop maintained that the potential for a growth rate higher than that of other Western countries was good as technology increases and new applications for plastics were found.

"It was likely that the demand for flexible packaging, in particular, would increase rapidly in New Zealand as primary producers and manufacturers of other perishables and foodstuffs realised the advantages of plastics packaging.

Whether industry could take advantage of this predicted growth would depend on a number of factors, Dunlop said.

Included in these would be the stability of the labour force, the consistent availability of highly skilled technical personnel, the continuing availability of the specialised raw materials required and the industry's ability to provide production capacity to meet the increased demand.

Dunlop said that where productivity increases were due to increased technology it should be ensured that they were not negated by unreasonable union demands.

"As well, freight cost increases must not be so high as to offset productivity gains and there must be a continued retention of adequate trade barriers and frontier protection from competition by high-volume law-labour cost countries, like Taiwan," he said.

Dunlop maintained that the New Zealand plastics industry's competitiveness was largely dependant on its ability to keep abreast of the latest technological developments internationally, and to obtain and use machinery of the standards consistent with the size and sophistication of home and export markets.

"The upgrading of plant and machinery is a continuing process and companies that fall behind in this area can expect to suffer in the marketplace," he said.

The industry could ensure its highly competitive position only taking advantage of improved production technology to increase efficiency and by having continued free access to raw materials and technology from overseas suppliers.

Dunlop said the local industry operated some large plants by world standards, but the prime problem relating to New Zealand's operations was its dependance on short-run production due to the size and the requirements of the local market.

The current trend was toward more specialised plants incorporating bulk handling facilities and the latest computer-control systems.

The industry suffered from a small local market with consequent cost disadvantages in terms of scale of production.

Short production runs, longer down-time between jobs, the high costs of internal freight coupled with additional social costs such as accident compensation charges, contributed to the industry's inability to compete on the home market on a volume basis with imports from high volume, and often low labour cost countries.

On exporting, Dunlop said he expected the industry to continue to make a significant contribution through indirect exports, especially packaging for processed primary products and manufactured componentry for a wide range of other manufactured goods.

In recent years the plastics industry has made a substantial contribution to the country's balance of payments by being both an efficient producer of import substitution goods as well as achieving a high level of direct exports in its own right.

Last year, the industry exported more than 10 per cent of its total production, worth about \$35 million. The dollar value of exports is expected to reach \$50 million by the end of this year.

Dunlop said the potential for increased direct exports would depend in part on obtaining competitively priced raw materials for local manufacture.

If basic raw materials were available from a local petrochemical industry at a price that could be regulated to compete internationally, New Zealand could have a plastics raw materials and processing industry which would have a competitive edge in the international marketplace.

As well, any production surplus could be exported providing an additional source of overseas funds.

It is generally known that PINZ supports in principal the early establishment of an economic and internationally price competitive plastics raw materials manufacturing industry based on indigenous natural gas resources.

But Dunlop said that this support was qualified. The product must not only be price-competitive but also competitive in terms of quality with internationally available resins.

Import licensing access would need to be granted where specific resin types were not available from local production but in general, local plastics resin production could eliminate much of the inwards freight content of plastics and give the industry a closer and more dependable source of its main raw material.

Secure sources of plastics resins for New Zealand were essential in light of the uncertain international situation which could lead to a major disruption in supply.

The PINZ paper to the IDC on potential for development during the next 10 years lists the industry's objectives as being:

- To provide better packaging componentry for the growing primary and manufacturing industries and their exports through increased technology and a wide product range;
- To utilise natural resources productively;

Bruce Dunlop . . . potential for growth.

- To expand its own direct exports throughout the world to 20 per cent of total production;
- To continually update its plant and technology to remain efficient in its operations;
- To maximise the utilisation of manpower materials and machinery committed to the production of plastics products; and
- To recruit, train and retain qualified people to ensure the industry's growth.

Dunlop maintained that to achieve those objectives, and allow the industry to fully play its part as a significant contributor to the national economy, a firm statement of Government support during the next 10 years is essential.

That support would need to include the development of a taxation system to make shift work and overtime more financially attractive to the labour force, and a greater recognition by Government of the contribution made by the industry in the areas of import substitution and direct and indirect export.

Film wraps catamaran

WHENUAPAI, Auckland, boat-builder Richard Pilkington has fulfilled his first export order with the help of plastic shrink-wrap film.

UEB Industries Ltd's Auckland film extrusion branch was contracted to shrink-wrap the twin hulls of the 8.5 catamaran ready for export to Canada.

The hulls were top-and-tailed with spars, rudder, centre-board, sails and squabs – everything except the main mast – secured inside.

A mobile shrink-wrapping machine was used for the job.

The catamaran has been bought by a retired Canadian businessman who will use it to commute between his home on Eigg Island, in Lake Heron, one of the Great Lakes, and his home on the mainland.

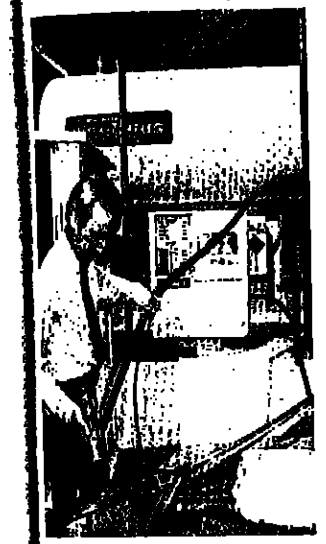
The shrink-wrapped catamaran was shipped in a container to Toronto via the St Lawrence Seaway, then overland to the lake.

According to Pilkington, the shrink-wrap ensured the yacht was kept clean and secure all the way to its destination.

Australians slam LPG

THE Plastics Institute of Australia has hitout strongly against that country's plans to use LPG as an alternative fuel to gasoline.

In a newsletter distributed throughout the industry and to members of both State and Federal Government, the institute points out that LPG used as a car fuel can, only at best, be short-term, and that far greater added value can be given the gas product if it is used as a plastics feedstock.



LPG . . . capacity to convert query.

The institute said: "For many Australians, the horizon of the energy crisis extends no further than the availability and price of motor gasoline to keep their cars running. Public debate and media coverage on the energy crisis to a large extent has focussed on the private motorist's demands to be kept mobile, irrespective of the need to conserve fuel or patronise public transport."

Some relief to the petrol problem seemed to come last year when the Australian Government began to encourage motorists to turn to LPG to fuel their cars.

But in its newsletter, the Australian institute said while the response to the call was enthusiastic, the rush to convert vehicles to LPG quickly outstripped the nation's capacity to make the conversions.

No doubt the converts were initially attracted by the low price of LPG and the belief that this fuel offered them an insurance against future gasoline shortages and price rises.

The Australian institute said current conversions were makeshift, with regard to both engine and vehicle.

"The optimum design of engines for LPG requires different materials and different lubricants from those using gasoline. The design of vehicles for LPG requires provision for the difficult and greater hazards involved in using this fuel rather than gasoline. Already there have been a number of gas explosions with LPG converted vehicles.

"And dual fueled engines must be designed and tuned for gasoline and consequently they cannot realise the efficiency potential of LPG.

"Manufacture of engines specifically for LPG use in the future must be limited, if for no other reason than that the availability of LPG itself, like petroleum, is limited."

The institute has estimated that on current production/usage figures, LPG could never replace more than 15 per cent of Australia's total motor gasoline consumption. It maintains that the introduction of LPG as an alternative fuel for private motorists is a "non-event".

"The determination of national priorities for energy consumption is a complex matter," the institute said.

"Great care must be taken to ensure that energy resources are used responsibly to produce the maximum possible benefit to the nation. And in this respect there is a strong case for using LPG as a petro-chemical feedstock rather than as a car fuel.

"It is obvious in terms of practicality and availability, that in order to meet the future demand for ethylene, we must look to natural has, and specifically the LPG component of natural gas.

"LPG is a highly satisfactory feedstock for ethylene and offers a far more suitable spectrum of co-products for the "down-stream" industries in Australia than either naptha or ethane."

It said the issue at stake is the allocation of domestic hydrocarbon energy supplies, something which is currently facing the New Zealand plastics industry, in its bid for a local raw materials manufacturing industry based on Maui gas.

The Australians maintain the choice of LPG for either ethylene feedstock or transport fuels really has a minimal effect on that country's importation of petroleum. The deficiency, whether for ethylene or for transport fuel will be imported, it said.

Moreover, the institute maintains the effect on balance of payments will be small and unforseeable because the prices of various petroleum liquids do not vary widely and relative prices depend on prevailing market conditions.

"In value added terms, the use of LPG as a petro-chemical feedstock is many times greater than simply burning it as a fuel in motor vehicles.

"The contribution that plastics are already making an will continue to make towards Australia's economic development has to be recognised. Plastics not only save energy by reducing fuel consumption in all forms of private and public transport, their use in insulation foams markedly reduces the consumption of heating fuels in buildings.

"As Australia will have to import hydrocarbons to make up for its indigenous deficiency, it makes sense to import gasoline for cars rather than naptha for ethylene.

"To satisfy the demand for ethylene, we have LPG, highly suitable and available in adequate supplies as an ethylene feedstock.

"Such a decision to import gasoline for cars would have the effect of maintaining pressure on the community to reduce consumption by using smaller cars and public transport, something which is entirely consistent with sensible national policies on energy.

"In the national interest, Australia's LPG should be dedicated to the petro-chemical industry as an ethylene feedstock," the institute said.

Milkmaster wins again

DELTA Plastics Milkmaster automatic teat cup remover has won more awards at this year's national fieldays in Hamilton.

Two years ago the plastic-moulded unit won the prototype award as a unit. This year another modification of a section won a further prototype award and the unit itself, on the local market since September last year, won a proven equipment award.

These awards came at a time when Delta and its parent company, Allflex Holdings Ltd declared the maiden profit for Allflex as a public company.

The directors reported a profit in excess of the predictions they made in the share prospectus.

Profits for Delta for the year were $1,792,000, $697,000 of that attributable to the parent company for the last quarter of the year from January 1 to March 31 1980. Group profits were $100,000 more than predicted.

Sales reached $8,598,000 which was an increase of 55 per cent over the previous year, with 90 per cent of the group's turnover coming from export sales, the directors reported.

Managing director, J R Burford said prospects for further growth looked promising in both the eartag area and, for the more recently introduced Milkmaster.

"Milkmaster is now selling extremely well in New Zealand and we have test units installed in the United States and Australia," Burford said. "These are operating well and we are beginning to get orders for 'Milkmaster' in both those countries.

Tags . . . score well

"An advantage we have with Milkmaster in the United States is that our units have a considerable price advantage over locally-produced units of a similar type. It's ideally suited for the smaller American dairy former rather than the huge production units and that's where we are aiming our marketing effort."

The market for tags in the United States is showing steady growth and there are good prospects for the insecticide-impregnated tags which are now being manufactured and marketed in the United States by Diamond Shamrock Corporation.

Allflex provides the male section of the tag. The larger, female section is produced by Diamond Shamrock.

The tags work similarly to flea collars on dogs, with a film of insecticide spreading from the tag over the animal through the air and by the animal licking itself. The tags are applied during the height of the fly-strike.

"On a recent trip to the United States I saw two animals in a race. One was wearing the tag; the other wasn't. There were no flies on the tagged animal while the untagged beast was covered in them," Burford said.

"The potential in many countries which have fly problems is considerable.

"If the plans we have discussed so far come to fruition then the numbers of tags used for this purpose will be in the many millions."

In the animal identification area Delta has had inquiries from countries such as Greece, Norway, Taiwan, Turkey, Iran, East Germany, Czechoslovakia and Denmark.

"We confidently expect many of these inquiries to turn into firm orders during the next few months. Some may be small initial orders but we believe these will lead to larger, long term, contracts," Burford said.

Milan hosts Plast 80

PLAST 80, to be held in Milan from November 17-23, 1980, will be the biggest plastics exhibition yet. A 53,000 square metre display area consisting of 10 pavilions has been devoted to the exhibition.

Six of the pavilions will display machines, plant and equipment, moulds and components; three will be for raw materials, additives and dyes; and one for finished and semi-finished products in plastics and rubber.

The majority of exhibitors will be Italian, but several other large international companies will be represented. The last Plast exhibition held in 1976 was attended by 61,000 operators, over 32 per cent being drawn from outside Italy.

Fuel conservation demands widen market

THE 1980's will see a dramatic growth in the use of plastics as new applications are found for the materials and greater cost benefits are realised, according to PINZ president John Mason.

Mason said there was tremendous potential for growth in the industry. On a per-capita consumption basis New Zealand, which consumes between 30-35 kilograms of plastic products each year, is well behind such countries as West Germany (89 kgs in 1978), Sweden (79 kgs) and the United States (64 kgs).

With further rises in crude oil prices likely, and a resultant continued escalation in the price of plastics products, there is a stronger-than-ever impetus for future developments in plastics to be in those applications which offer the greatest opportunities in cost benefits.

Mason said he considered this applied nowhere more than in the area of energy savings, and already there had been attempts by automotive manufacturers to reduce the weight of their vehicles to achieve petrol consumption savings.

An example of the contribution plastics can make in this area is the plastics petrol tank introduced by Ford in 1979, a component less than half the weight of the previously metal tank.

Other components for which plastics are being used are instrument panels, axle housings, drive shafts, bumpers and body panels.

Mason said the same drive for weight reduction was evident in all forms of public transport. Boeing's 747 jumbos each contain more than 4.5 tonnes of plastics, while the smaller 727 aircraft have 3.5 tonnes.

Building and construction also offered many opportunities for plastics, Mason said.

Their use can lower heating and maintenance costs as well as the initial cost of the construction.

Last year, an experimental low-energy house made largely of plastics was opened in Adelaide, Australia. It was designed and built by Uniroyal.

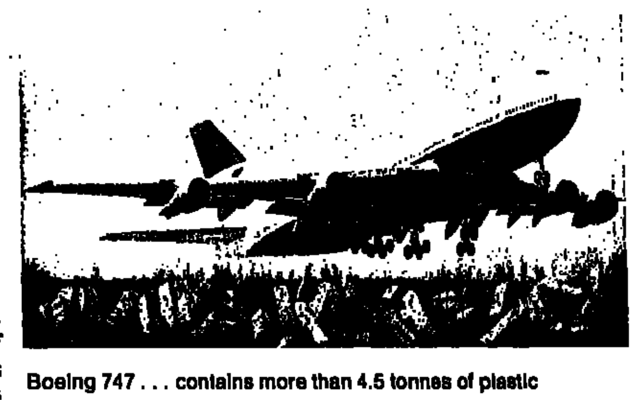
Company executives say they believe the system will reduce building costs by at least 20 per cent during the 1980's. In addition, it expects up to 50 per cent savings on fuel bills and maintenance costs.

An import application in the Uniroyal house is plastics foam insulation. Investigations have shown this can reduce the energy required to heat a house by about one third.

Another development which Mason said could see commercial acceptance in the 1980s was the use of a specially constructed twin wall acrylic sheeting, PVC sheeting and polyester fibreglass in greenhouses.

Because it was lightweight, installation costs were lowered, and it was not damaged by hail he said.

The twin wall construction provided excellent insulation and had already been shown to halve greenhouse fuel bills.



Boeing 747 . . . contains more than 4.5 tonnes of plastic

John Mason . . . many opportunities.

Foam moves into homes

THE plastics industry is helping the developing world to solve an acute housing shortage.

According to the United Nations, the need during this decade will be for some 370 million dwellings in Africa, Asia and South America.

The United Nations believes that with conventional building methods, the possibility of meeting this demand is remote.

With new building techniques – those involving reinforced polyester and foam core panels – there is a chance of meeting this demand, according to Professor Georges Patfoort, a pioneer in the design of reinforced polyester houses.

He maintains the total energy balance is in favour of using synthetic materials.

For example, a polystyrene foam wall need only be one-twentieth the thickness of a brick wall to provide equivalent insulation. The brick wall is 300 times as heavy, and requires 600 times as much energy to produce.

The implications to the plastics industry of the developing world's housing problems appear staggering.

Between now and the end of the century, says Professor Patfoort, more houses will be built than have ever before been built in recorded history.

"If current developments are any indication, the success of the building programme will depend greatly on the extension and improvement of existing plastics technology," he says.

"There is no question that meeting the housing needs of developing nations will provide expanding and profitable markets for plastics materials, manufacturers and processors in the industrialised world.

"And there is no question that these nations will speed up the development of their own plastics industries.

"The technology developed to meet these new housing needs can also be of vast benefit to the industrialised world.

"Efficient low-cost building methods are needed by all nations rich and poor," he says.

Rubberplas exhibition

RUBBERPLAS '80, an international showplace for new rubber and plastics materials, machinery and products was held in Singapore recently.

The exhibition was run in conjunction with two important international conferences – one dealing with rubber topics, the other with plastics.

The exhibition attracted exhibitors from Europe, Britain, the United States, Taiwan, France, Japan, Italy and West Germant.

On display was some of the most sophisticated plastics forming machinery in the world, and the plastics conference complemented the introduction of new processing techniques and machinery, with discussion of injection moulding productivity and cost saving advances, co-extrusion machinery and techniques, and new thermoforming and blow moulding technology.

Rubberplas '80 was the first such exhibition to be held in Asia. Rubberplas '82, is planned for May 1 next year.

Food film hits million dollar mark

EXPORT sales worth more than $1 million are expected this year for a sophisticated type of food packaging film manufactured by W R Grace NZ Ltd.

The Wellington-based company is exporting the specially extruded plastics film to a sister company in Australia for marketing and distribution.

The film is manufactured on plant developed by W R Grace and Co in the United States and unique to the New Zealand company.

The plant which has a replacement value of more than $5 million bombards plastic film with a high-energy electron beam that cross-links the individual fibres of the polyolefin plastic material used.

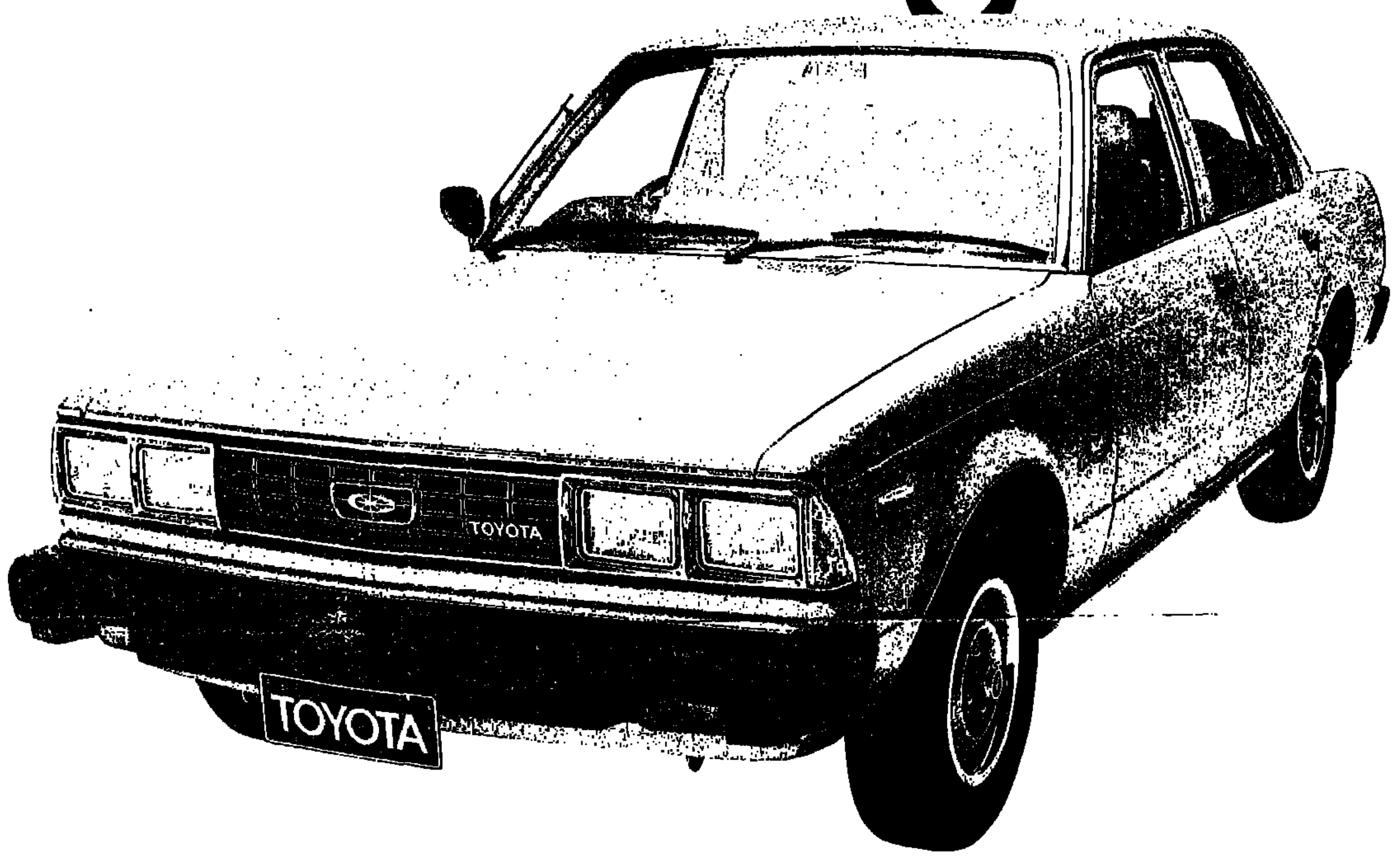
Exposure to this form of radiation strengthens the film and gives a greater shrink tension, a higher level of heat resistance and inhibits crystal growth in the film.

The radiation cross-linking system offers the advantage of being able to turn ordinary plastic resins in to high-performance films.

Grace operates two electron beam production units. One is engaged in making single layer films for shrink wrapping and overwrapping applications, while the other has been specially developed to produce a co-extruded, three-layer tube of film.

Export markets for the film tube material have also been developed, principally in Japan and Europe.

The Corona Challenge



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Today's Corona is available from as low as $9,800. How's that for value! Corona is the best value-for-money car on the market. Ask around.

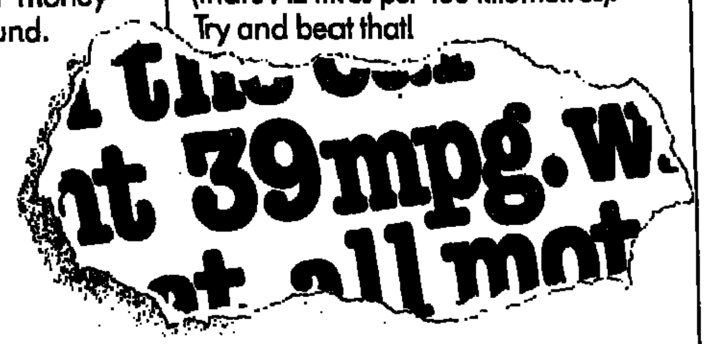
Compare Corona ECONOMY

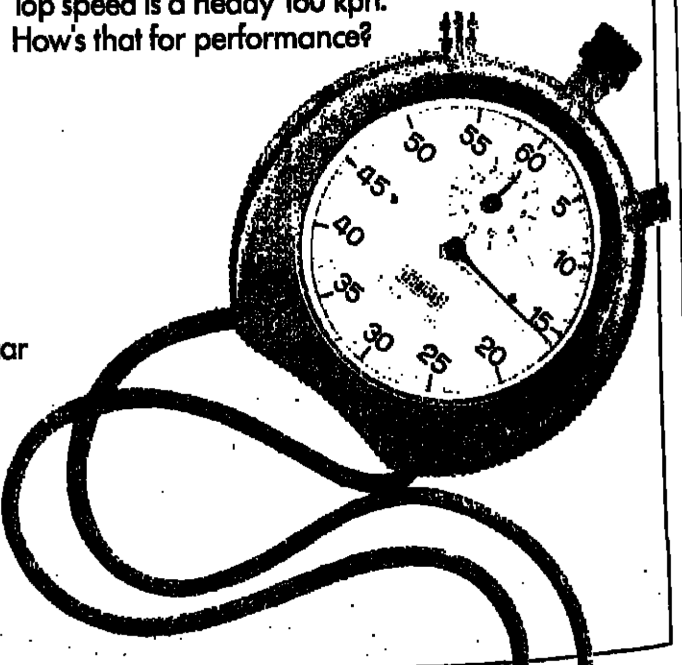
The Corona 1800cc XT has been proven to return 39 miles per gallon (that's 7.2 litres per 100 kilometres). Try and beat that!

Compare Corona PERFORMANCE

The 3T 1800cc Corona XT engine will zip you from standing still to 100 kilometres an hour in just 15.4 seconds. Top speed is a heady 160 kph. How's that for performance?

CORONA XR
$9,800





Compare new Corona any way you want with any car in its class. We bet you can't beat it! Add to Corona's outstanding value-for-money, its classic clean styling and renowned reliability and you've got yourself the best new car buy in New Zealand.

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